

Second-Party Opinion

Inter-American Development Bank Sustainable Debt Framework



Evaluation Summary

Sustainalytics is of the opinion that the Inter-American Development Bank Sustainable Debt Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories¹ for the use of proceeds are aligned with those recognized by the Green Bond Principles, and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 10, 11, 13, 15, 16 and 17.



PROJECT EVALUATION AND SELECTION IDB's treasury division, in collaboration with the Bank's office of strategic planning and development effectiveness, selects projects in line with the Framework's eligibility criteria. As part of the project evaluation and selection process, the Bank's treasury division consults its internal lending specialists. All activities financed under the Framework will be screened for potential environmental and social risks by IDB's Environmental and Social Risk Management Unit. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS IDB will be managing proceeds on a portfolio basis. An amount equal to the net proceeds will be recorded in a separate sub-account and allocated to credible investments. IDB's Treasury department will be responsible for management of proceeds. IDB will allocate proceeds fully within 36 months of each issuance. In the case that the selected projects no longer comply with the eligibility criteria in the Framework, IDB will reallocate proceeds to other eligible projects. Pending full allocation, temporary proceeds will be held in cash and cash equivalents, in accordance with IDB's conservative liquidity investment guidelines.



REPORTING IDB will make an annual allocation and impact report available on IDB Investor website until full allocation of proceeds. Allocation reporting will include the amount of net proceeds allocated per project or category. Sustainalytics considers the allocation and impact reporting commitments as aligned with market practice.

Evaluation Date	December 9, 2024
Issuer Location	Washington, DC United States

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3

For inquiries, contact the Sustainable Corporate Solutions project team:

Manali Vaidya (Toronto)
Project Manager
manali.vaidya@morningstar.com
(+1) 416 861 0403

Gizem Celik Bayar (Toronto)
Project Support

Carlos Vinueza (Toronto)
Project Support

Lindsay Brent (Toronto)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

¹ The use of proceeds categories are: i) Energy Efficiency; ii) Renewable Energy; iii) Environmentally Sustainable Management of Living Natural Resources and Land Use; iv) Climate Adaptation and Mitigation; v) Clean Transportation; vi) Sustainable Water and Wastewater Management; vii) Pollution Prevention and Control; viii) Access to Essential Services; ix) Access to Basic Infrastructure; x) Socioeconomic Advancement and Empowerment; xi) Cultural Heritage Preservation; xii) Employment Generation – employment generation and programmes designed to prevent and alleviate unemployment stemming from socioeconomic crises, climate transition projects and other considerations for a just transition; xiii) Food Security and Sustainable Food Systems; xiv) Security, Justice and Conflict Resolution; and xv) State Modernization.

Introduction

The Inter-American Development Bank (“IDB” or the “Bank”), a member of the Inter-American Development Bank Group, is a multilateral development bank headquartered in Washington, DC, United States. The Bank aims to contribute to accelerating economic and social development in its 26 borrowing countries in Latin America and the Caribbean. In addition to the 26 borrowing members in Latin America and the Caribbean, IDB has 22 non-borrowing members in Asia, Europe and North America.²

IDB has developed the Inter-American Development Bank Sustainable Debt Framework dated December 2024 (the “Framework”) under which it intends to issue green, social and sustainability bonds, and use the proceeds to finance and refinance, in whole or in part, existing and future public sector projects expected to lead to positive environmental and social advancements in Latin America and the Caribbean.³

The Framework defines eligibility criteria under the following environmental categories:

1. Energy Efficiency
2. Renewable Energy
3. Environmentally Sustainable Management of Living Natural Resources and Land Use
4. Climate Adaptation and Mitigation
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Pollution Prevention and Control

The Framework defines eligibility criteria under the following social categories:

8. Access to Essential Services
9. Access to Basic Infrastructure
10. Socioeconomic Advancement and Empowerment
11. Cultural Heritage Preservation
12. Employment Generation – employment generation and programmes designed to prevent and alleviate unemployment stemming from socioeconomic crises, climate transition projects and other considerations for a just transition
13. Food Security and Sustainable Food Systems
14. Security, Justice and Conflict Resolution
15. State Modernization

IDB engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP)⁴. The Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA;

² IDB, “Annual Report 2023 Financial Statements”, at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2023-financial-statements>

³ IDB may extend funding to first-tier public intermediary financial institutions, which in turn provide funding to second-tier public financial institutions (such as microfinance institutions) which on-lend to MSMEs.

⁴ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁵ The Inter-American Development Bank Sustainable Debt Framework will be available on IDB’s website at: <https://www.iadb.org/en/how-we-can-work-together/investors>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of IDB's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. IDB representatives have confirmed (1) they understand it is the sole responsibility of IDB to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and IDB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impacts. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that IDB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Inter-American Development Bank Sustainable Debt Framework

Sustainalytics considers the Inter-American Development Bank Sustainable Debt Framework to be credible, impactful and aligned with the SBG and the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories are aligned with those recognized by the GBP and SBP. The eligible categories are: Energy Efficiency; Renewable Energy; Environmentally Sustainable Management of Living Natural Resources and Land Use; Climate Adaptation and Mitigation; Clean Transportation; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Access to Essential Services; Access to Basic Infrastructure; Socioeconomic Advancement and Empowerment; Cultural Heritage Preservation; Employment Generation – employment generation and programmes designed to prevent and alleviate unemployment stemming from socioeconomic crises, climate transition projects and other considerations for a just transition; Food Security and Sustainable Food Systems; Security, Justice and Conflict Resolution; and State Modernization.
 - IDB has defined a 36-month look-back period for refinancing, which Sustainalytics considers to be in line with market practice.
 - Under the Energy Efficiency category, IDB may finance or refinance the following projects intended to promote the efficient use of energy resources: i) LED lighting, HVAC upgrades, smart building retrofits, sensors and controls; ii) smart meters⁷ and remote monitoring, control and

⁷ IDB has confirmed to Sustainalytics that smart meters exclude smart gas meters

automation equipment for electrical transmission grids; iii) investments in management and operation of electrical transmission grids with the purpose of improving efficiency and decreasing grid technical losses;⁸ and iv) street lighting improvements and upgrades.

- IDB has confirmed to Sustainalytics that: i) street lighting upgrades will be limited to conversion of street lighting to LED; ii) energy efficiency equipment and technologies will not be designed nor intended for processes that are inherently carbon intensive; iii) equipment will not run on fossil fuels and will not be applied to transmission lines connected or dedicated to power produced from fossil fuel.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Renewable Energy category, IDB may finance or refinance renewable energy generation and green transmission infrastructure projects as per the following eligibility criteria:
 - Renewable energy generation projects include:
 - Wind generation, solar PV and concentrated solar projects where at least 85% of the electricity generation is derived from solar energy. This is aligned with market practice.
 - Hydropower projects, including: i) small run-of-river hydropower projects with an installed capacity of 25 MW with no or limited impoundment; and ii) refurbishment and repower of existing large hydropower plants. For all hydropower projects, an environmental and social risk and impact assessment will be undertaken by a credible body and there will be no controversies surrounding the projects. IDB may finance the refurbishment or repowering of existing large hydropower facilities, to extend the facilities' useful life or to enhance their energy storage and production capacity with improved efficiency. Sustainalytics notes that the emissions intensities from hydropower projects can vary widely with the median average of 23 gCO₂/kWh. Furthermore, hydropower plants can have lifetimes beyond 100 years, effectively locking in power generation for decades. Hence, Sustainalytics considers the life cycle emissions intensity threshold to be a crucial environmental consideration for hydropower facilities. Sustainalytics encourages IDB to favour projects with low life cycle emissions intensity and to report, where possible, on the intensity of such refurbished and repowered hydropower projects.
 - Green transmission infrastructure projects include:
 - Direct connections to and associated grid upgrades required for the interconnection of renewable electricity generation sources.
 - Regional interconnections to support the dispatch of renewable energy from regions with surplus renewable power to load centres, grids and networks.
 - Grids and networks in line with the following criteria: i) the average life cycle emission factor of the grid is below 100 gCO₂e/kWh over a rolling five-year period; or ii) more than 67% of the newly connected generation capacity on the grid is below 100 gCO₂e/kWh, measured on a life cycle basis, over a rolling five-year period.
 - Sustainalytics views the above expenditures related to green transmission infrastructure projects to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, IDB may finance or refinance projects as per the following criteria:
 - Financing to support sustainable agriculture and marine production, including the following:
 - Surveillance and control to prevent introduction and mitigate impact of pests and diseases. IDB has confirmed to Sustainalytics that use of herbicides or insecticides to control or eradicate invasive pests or plants will be excluded.

⁸ IDB has communicated to Sustainalytics that investments in management and operation of electrical transmission grids relate to smart grid components and will include: i) technology for smart grids, such as components for wide area monitoring systems (WAMS), measurement equipment, supervisory control and data acquisition (SCADA) systems, smart meters to measure electricity consumption, monitoring and control automation devices, and big data and computing platforms; ii) metering systems and intelligent electricity systems that manage the intermittency of renewable energy; and iii) retrofit of transmission and distribution networks to reduce energy use and technical losses, avoid electricity cuts, facilitate integration of renewable energy into the grid and improve energy efficiency.

Moreover, hunting, trapping, poisoning and culling of vertebrate animals considered as pests will be excluded. Sustainalytics considers this to be in line with market practice.

- Efficient irrigation techniques that promote efficient water allocation, water recycling and rainwater harvesting. IDB has confirmed to Sustainalytics that: i) recycled water will exclude treated wastewater from fossil fuel operations and ii) systems and facilities dedicated to industrial scale livestock are excluded. Sustainalytics considers this to be in line with market practice.
- Production of certified crops and commodities in line with the following certifications: Rainforest Alliance,⁹ Bonsucro,¹⁰ Round Table for Responsible Soy (RTRS),¹¹ ProTerra,¹² 4C,¹³ Forest Stewardship Council (FSC),¹⁴ Program for the Endorsement of Forest Certification (PEFC),¹⁵ CERFLOR,¹⁶ and aquaculture investments certified by the Aquaculture Stewardship Council (ASC),¹⁷ Global G.A.P. Aquaculture, Best Aquaculture Practices (2 stars or above)¹⁸ and Marine Stewardship Council (MSC),¹⁹ Best Seafood Practices certification by Global Seafood Alliance,²⁰ UTZ²¹ and any nationally designated organic standard. Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and encourages IDB to report on any specific schemes and certifications achieved by the projects financed under the Framework.
- Regenerative agriculture that contributes to rebuilding soil organic matter and restoring degraded soil biodiversity.
 - IDB has communicated to Sustainalytics that it will finance agroforestry units and smallholder farms, which will be accompanied by a sustainable forest management plan, enabling family producers to comply with requirements that would have otherwise been met through Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certification.²² This is in line with market practice.
- Financing to support marine and coastal economy: Eligible projects will include green ports infrastructure projects related to low-carbon marine bunkering facilities and shore-to-ship power.
 - IDB has confirmed to Sustainalytics that vessels will not be financed under this category and low-carbon fuel will be limited to green methanol, hydrogen, biofuel or ammonia.
 - IDB has communicated to Sustainalytics that it may finance water treatment equipment and facilities for all blackwater and greywater generated from ports, shipping and cruising vessels, and solid waste receiver facilities at ports and terminals for the collection of garbage. IDB has further confirmed to Sustainalytics that: i) infrastructure in ports dedicated to fossil fuel shipping and exports as well as waste collection vehicles will not be financed under the Framework; ii) wastewater treatment equipment will not be installed on vessels; iii) the waste receiver facilities will segregate waste at source; iv) waste-to-energy facilities financed under the Framework will segregate recyclables; and v) the activity may include financing waste recycling facilities.

⁹ Rainforest Alliance: <https://www.rainforest-alliance.org/about/>

¹⁰ Bonsucro: <https://bonsucro.com/production-standard/>

¹¹ RTRS: <https://responsiblesoy.org/?lang=en>

¹² ProTerra: <https://www.proterrafoundation.org/>

¹³ 4C: <https://www.commonshare.com/standards/4c>

¹⁴ FSC: <https://ca.fsc.org/en-ca>

¹⁵ PEFC: <https://www.pefc.org/standards-implementation>

¹⁶ CERFLOR: <http://www.inmetro.gov.br/qualidade/cerflor.asp>

¹⁷ ASC: <https://asc-aqua.org/business/chain-of-custody-standard/>

¹⁸ Best Aquacultural Practices: <https://www.bapcertification.org/>

¹⁹ MSC: <https://www.msc.org/standards-and-certification/fisheries-standard>

²⁰ Best Seafood Practices: <https://bspcertification.org/>

²¹ UTZ: <https://www.rainforest-alliance.org/utz/>

²² Sustainalytics highlights that forestry-related assets or projects certified by either FSC or PEFC integrate appropriate management plans related to soil health, water and fire management, riparian area protection, biodiversity management, species selection, as well as chemicals use.

- Sustainalytics recognizes that energy from waste may take out of circulation potentially recyclable materials and undermine key objectives of a zero-waste circular economy, namely waste prevention and recycling. Additionally, the composition of residual waste, particularly fossil carbon content, is a crucial consideration for such projects to have low emissions intensities. However, Sustainalytics also notes that energy from waste offers a better residual waste management option than landfills in many cases, due to constraints on recycling in many parts of the world. Sustainalytics recommends IDB to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of the thermal efficiency of the financed facilities.
- For recycling facilities financed under this category, IDB has confirmed to Sustainalytics that: i) recycling e-waste from electrical and electronic equipment will be accompanied by robust waste management processes to mitigate associated risks; and ii) plastic recycling activities will be financed only when: a) the activity includes production with at least 90% recycled, renewable or bio-based input where biogenic input will be sustainably sourced; b) the activity may include mechanical and chemical recycling; and c) single-use plastics will be excluded. Further, IDB has communicated to Sustainalytics that, in addition to the abovementioned criteria, chemical recycling of plastics will also align with the following criteria: i) the recycled product will have life cycle emissions lower than the life cycle emissions from the production of virgin plastic; ii) the process will be accompanied by robust waste management procedures to mitigate risks associated with the resulting hazardous wastes; and iii) plastic-to-fuel conversion will be excluded.
- Sustainalytics considers these expenditures to be aligned with market practice.
- Financing to support land and marine ecosystems conservation will include the following:
 - Conservation, development and restoration of key biodiversity areas through the establishment of recognized protected areas and green spaces, such as parks, as well as wetlands and marine areas, such as seagrass beds, coral and mangroves.
 - Traceability technologies used to prevent deforestation and monitor biodiversity benefits, such as satellites and satellite imagery, and artificial intelligence for anomalies' detection.
 - Afforestation or reforestation projects, preservation or restoration of natural landscapes certified by FSC, PEFC or Rainforest Alliance.
 - Rewilding through creating or restoring habitats or wildlife, including reforestation and biodiversity corridors.
 - Research initiatives targeting conservation and restoration of marine and coastal ecosystems.
 - IDB has communicated to Sustainalytics that: i) all reforestation and conservation initiatives financed under this category will use tree species that are well adapted to the site conditions; and ii) the use of agrochemicals (herbicides or insecticides) as well as hunting, trapping, poisoning and culling of vertebrate animals considered as pests will not be financed to control or eradicate invasive plants or insects.
 - Sustainalytics views expenditures related to land and marine ecosystems conservation to be aligned with market practice.
- Under the Climate Adaptation and Mitigation category, IDB may finance or refinance activities that reduce the vulnerability of human or natural systems against the adverse impacts of climate change and climate-related risks, by means of building resilience or strengthening adaptation to

deal with the effects of climate-aggravated floods, wildfires, landslides, droughts, earthquakes and tsunamis, including:

- Grid infrastructure hardening to address climate adaptation risks, including improved resiliency in electrical systems. IDB has confirmed to Sustainalytics that financing will exclude transmission lines directly connected to fossil fuel power.
- Programmes to support vulnerability assessments and recovery planning for areas damaged or at risk of damage by natural disasters.
- Measures to conserve and restore ecosystems, such as drought-resistant seeds,²³ nutrient cycling, ecotone levees, floodplain restoration, storm water drainage, water storage with watershed restoration or conservation.
- Projects to strengthen national monitoring, forecasting and alert capacities for natural disasters, including early warning systems for natural disasters and atmospheric forecasting to predict timelines and paths of hurricanes.
- Shoreline stabilization and coastal flooding control measures, including the development of offshore breakwater, groynes and headlands to coastal regions to prevent flooding.
- Conservation or restoration of mangroves, wetlands to reduce flooding, soil and water salination; and coral reefs to reduce storms surges and flooding.²⁴
- Fire management programmes that finance management and interventions that directly reduce fire threats. IDB has confirmed to Sustainalytics that financing will be limited to wildfire or bushfire management programmes in native areas.
- IDB has communicated to Sustainalytics that all climate change adaptation projects financed under this category will be subject to completing a climate risk assessment to identify the potential risks involved and establishing an adaptation plan to respond to the conclusions of the risk assessment of areas prone to climate risks.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, IDB may finance or refinance low-carbon transport and electric mobility infrastructure, including:
 - Electric vehicles, hybrid vehicles and public low-carbon transport, with direct emissions intensity below 50 gCO₂e/pkm.
 - IDB has communicated to Sustainalytics that it will use the World Harmonized Light-duty Vehicle Test Procedure (WLTP) to identify credible assets on a best-effort basis. Different test procedures can achieve varying results in actual vehicles' CO₂ emissions, whether they intend to replicate real-driving conditions, such as WLTP, or are based on theoretical driving profile, such as NEDC.²⁵ Hence, Sustainalytics further encourages IDB to report on the test procedure used to determine the emissions intensity of financed vehicles, where feasible.
 - Freight rail with direct emissions intensity below 25 gCO₂e/tkm. IDB has confirmed to Sustainalytics that: i) the primary purpose of the freight rail is not transporting fossil fuel freight; and ii) rail lines and operations where fossil fuels account for more than 50% of the freight in mass are excluded.
 - Transportation infrastructure that supports the transportation vehicles meeting the Framework criteria, such as charging stations, new, extended and renovated railroads, walkways and bike paths. IDB has confirmed to Sustainalytics that parking facilities will not be financed under the Framework.
 - Sustainalytics views these expenditures to be aligned with market practice.

²³ IDB has communicated to Sustainalytics that genetically modified seeds will be excluded from financing under the Framework.

²⁴ IDB has communicated to Sustainalytics that: i) there is a sustainable management plan in place for the conservation and restoration activity, which may be certified by FSC or PEFC ii) all restoration and conservation initiatives financed under this category will use tree or plant species that are well adapted to the site conditions; and iii) the use of agrochemicals (herbicides or insecticides) as well as hunting, trapping, poisoning and culling of vertebrate animals considered as pests will not be financed to control or eradicate invasive plants or insects.

²⁵ The WLTP (World Harmonized Light-duty Vehicle Test Procedure) test cycle uses real-driving data to replicate actual driving conditions, while the NEDC (New European Driving Cycle) test determines values based on a theoretical driving profile, which can lead to material differences in terms of tailpipe emissions.

European Commission, "From NEDC to WLTP: effect on the type-approval CO₂ emissions of light-duty vehicles", (2017), at: <https://publications.jrc.ec.europa.eu/repository/handle/JRC107662>

- Under the Sustainable Water and Wastewater Management category, IDB may finance or refinance expenditures related to water use efficiency and disposal of wastewater, including:
 - Investments to ensure sustainable use of water, including water supply optimization in agricultural production,²⁶ manufacturing and construction. IDB has confirmed to Sustainalytics that: i) water efficiency systems will not be applied to fossil fuel and hard-to-abate sectors; ii) equipment and methods will not be dependent on fossil fuels; and iii) systems and measures to provide water for fossil fuel operations, fracking and mining operations will not be financed under the Framework.
 - Infrastructure supporting operational efficiency of sewerage systems as well as infrastructure dedicated to sanitation services, including sanitary and storm water sewerage and wastewater treatment services.
 - IDB has confirmed to Sustainalytics that: i) treatment of wastewater from fossil fuel operations and industrial-scale livestock, as well as desalination facilities will not be financed under this category; and ii) sewerage systems will be limited to systems that feed into the treatment services meeting the criteria in the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Pollution Prevention and Control category, IDB may finance or refinance expenditures related to waste prevention, reduction and recycling, including:
 - Infrastructure dedicated to solid waste reuse, recycling or recovery.
 - IDB has confirmed to Sustainalytics that energy-from-waste projects will not be financed under this category.
 - For recycling facilities financed under this category, IDB has confirmed to Sustainalytics that: i) recycling e-waste from electrical and electronic equipment will be accompanied by robust waste management processes to mitigate associated risks; and ii) plastic recycling activities will be financed only when: a) the activity includes production with at least 90% recycled, renewable or bio-based input where biogenic input will be sustainably sourced; b) the activity may include mechanical and chemical recycling; and c) single-use plastics will be excluded. Furthermore, IDB has communicated to Sustainalytics that, in addition to the abovementioned criteria, chemical recycling of plastics will be financed in line with the following criteria: i) the recycled product will have life cycle emissions lower than the life cycle emissions from the production of virgin plastic; ii) the process is accompanied by robust waste management procedures to mitigate associated risks of the resulting hazardous wastes; and iii) plastic-to-fuel conversion will be excluded.
 - Flood mitigation measures and urban drainage systems that prevent plastic, solid waste or pollutants runoff into freshwater and marine habitats. IDB has communicated to Sustainalytics that a vulnerability assessment and an adaptation plan will be utilized to support the need of these investments.
 - Air quality monitoring systems that will monitor GHG emissions and other air pollutants such as NOx, SOx and PM pollution. IDB has confirmed to Sustainalytics that these systems will not be applied to fossil fuel industries and technologies that inherently rely on fossil fuels.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- The Framework defines three groups for the social use of proceeds categories:
 - Vulnerable Populations include:
 - People facing economic challenges or vulnerability due to disability, health, gender identity, sexual orientation, religion, age, economic disadvantage or social condition such as victims of violence.
 - Vulnerable groups of people who may be more adversely affected by project impacts than others. These groups will include people belonging to an

²⁶ Agricultural production excludes industrial-scale livestock production.

Indigenous population or belonging to historically marginalized groups based on race, colour or ethnicity, including such people living in urban settings.

- Women-headed households.
- Underserved Populations include:
 - Marginalized populations or populations with limited access to essential services and basic infrastructure.
 - Poor and low-income population: IDB has defined as poor those living below the national poverty line, and low-income population as people living below the national median income but above the national poverty line.
 - People living in rural areas. These may also include landless individuals and single-headed households living in rural areas. IDB has communicated to Sustainalytics that the Bank will be relying on governments' definitions of rural areas.
 - Refugees and displaced persons who may lack protection under national or international law.
 - Natural resource-dependent communities: IDB has communicated to Sustainalytics that natural resource-dependent communities are populations that rely on local ecosystems for their livelihoods, including small-scale activities such as agriculture, fishing, foraging and forestry. Their direct dependence on natural resources makes these communities vulnerable to environmental impacts and to economic shocks, both of which can threaten their livelihoods.
 - Populations living in areas highly exposed to crime and violence: IDB has communicated to Sustainalytics that it refers to government or local authorities' published databases to identify such areas.
- SMEs and MSMEs that adhere to the following criteria:
 - MSMEs are defined based on the government definition in the host country²⁷ (including one-person businesses identified as MSMEs) or the definition used by the financial intermediaries supported, to categorize their loan portfolio according to the size of sub-borrowers.²⁸
 - Women or diversity-owned enterprises, defined as enterprises owned at least 51% by women or another minority.
 - Smallholder farmers and agricultural MSMEs: IDB has communicated to Sustainalytics that the Bank will be following the FAO's definition of smallholder farmers.²⁹ IDB has further communicated to Sustainalytics that agricultural MSMEs will adhere to the definition of MSMEs as prescribed by the governments.
- Under the Access to Essential Services category IDB may finance or refinance education and healthcare projects that adhere to the following eligibility criteria:
 - Education related expenditures will include: i) programmes aimed at improving quality of education and access to nurseries, schools, basic, secondary and higher education; ii) improving access to education for rural areas, iii) skills development programmes for teachers and public service employees; and iv) construction, expansion and improvement of public schools, universities and other public education services.
 - IDB has communicated to Sustainalytics that the expenditures related to education projects will be limited to public facilities and services and will be accessible to all regardless of ability to pay. IDB has also communicated to Sustainalytics that education projects financed under the Framework will target Vulnerable Populations and Underserved Populations.

²⁷ IDB defines host country as the country in which the project will be operated.

²⁸ IDB has communicated with Sustainalytics that most Latin American and Caribbean countries have a government-recognized definition for MSMEs which the Bank will follow for projects financed under the Framework. However, in rare cases when a host country does not have a government-recognized definition for MSMEs, IDB will collaborate with relevant intermediaries (such as the government and other multilateral development banks) to conduct market studies and analyses. Based on such market studies, IDB, along with the host country government and the intermediary, will together decide the definition for MSMEs to be followed for projects financed under the Framework.

²⁹ FAO, "Smallholders and Family Farmers", (2013), at: <https://www.fao.org/family-farming/detail/en/c/273864/>

- Sustainalytics views the expenditures related to education projects to be socially impactful.
- Healthcare related expenditures will include: i) programmes supporting public medical centres, laboratories, hospitals, clinics, health equipment and supplies for primary and specialized healthcare; ii) emergency medical equipment and personal protection elements (PPE) for pandemics; and iii) programmes that help reduce maternal and infant mortality, and non-communicable diseases.
 - IDB has communicated to Sustainalytics that expenditures related to healthcare projects will be limited to public facilities and services to support borrowing countries progress towards universal healthcare coverage. IDB has further communicated to Sustainalytics that such investments will be targeted at improving access to healthcare facilities and services to the Underserved Populations and will be accessible to all regardless of ability to pay. IDB has further communicated to Sustainalytics that healthcare services will be available to the target populations either free of cost or at a subsidized rate.³⁰
 - Sustainalytics acknowledges that healthcare systems in many countries in Latin America and the Caribbean have structural challenges, such as limited institutional capacity, insufficient funding, segmentation of patients according to ability to pay, and high out-of-pocket costs, hindering access and coverage.³¹
 - Considering the above, Sustainalytics views IDB's investments related to healthcare projects in Latin American and Caribbean countries to be socially impactful.
- Under the Access to Basic Infrastructure category, IDB may finance or refinance water and sanitation, energy, transport, housing and climate disaster recovery projects as per the following criteria:
 - Water and Sanitation projects include: i) water management, storage, production, treatment plants and distribution facilities to expand access to potable water; ii) infrastructure to expand access to sanitation services, including sanitary and stormwater sewerage, and wastewater treatment services; iii) improve sanitary conditions and reduce pollution in urban waterways and rivers; and iv) comprehensive environmental and sanitation education programmes.
 - IDB has communicated to Sustainalytics that water treatment projects financed under this category may also include desalination projects that: i) have an appropriate waste management plan for brine disposal; ii) exclude integrated water and power plants with fossil fuel power; and iii) exclude desalination plants with dedicated on-site fossil fuel power. Sustainalytics notes positively that the desalination facilities to be financed will be primarily powered by renewable electricity.
 - Sustainalytics considers these expenditures to be socially impactful.
 - Energy projects related expenditures include investments for enabling affordable access to electricity grid infrastructure and projects to expand access to electricity to marginal and rural areas.³² IDB has communicated to Sustainalytics that investments in energy projects will be limited to areas with no access or substantially inadequate access to electricity.³³
 - IDB has confirmed to Sustainalytics that it will exclude transmission grids connected to dedicated fossil fuel power plants and power generation plants.
 - Sustainalytics notes that the richest 10% of the population account for 40% of the total GHG emissions in Latin America and the Caribbean, while 17 million

³⁰ IDB has communicated to Sustainalytics that relevant terms to ensure affordability of healthcare facilities and services will be included in the terms and conditions of the agreements between IDB and the borrowing country or borrowing public entity.

³¹ United Nations Economic Commission for Latin America and the Caribbean, "The urgency of investing in health systems in Latin America and the Caribbean to reduce inequality and achieve the Sustainable Development Goals", (2024), at: <https://www.cepal.org/en/publications/80764-urgency-investing-health-systems-latin-america-and-caribbean-reduce-inequality>

³² IDB has confirmed to Sustainalytics that the Bank will be following governments' definitions of rural and marginal areas.

³³ IDB has communicated to Sustainalytics that areas with substantially inadequate access to electricity will be those where access is not stable as a result of repeated power cuts, among other reasons.

people lack access to electricity.³⁴ Considering the inequalities regarding access to electricity in Latin American and Caribbean countries, Sustainalytics views IDB's financing of energy projects as per the above criteria to be socially impactful.

- Transport related expenditures will include construction, upgrade and maintenance of road transportation infrastructure for: i) improving connectivity to low-income rural areas lacking accessibility to essential services; and ii) supporting economic development of disadvantaged regions by improving access to economic centres.
 - All such projects will be accompanied by an environmental and social impact evaluation at the level of individual road corridors.
 - IDB has confirmed to Sustainalytics that expenditures will exclude construction, upgrade and maintenance of major roads or highways and will be limited to roads in underdeveloped rural or Indigenous communities that lack connectivity because of unpaved or ungraded roads, lack of pathways or because they are remotely located or isolated.
 - Sustainalytics views this expenditure to be socially impactful.
- Housing related expenditures will include financing to support construction, refurbishing or improvement of affordable housing.
 - IDB has communicated to Sustainalytics that affordable housing projects will adhere to the definition of affordable housing set by the governments of the borrowing countries. Moreover, IDB has confirmed that each country's regulations will require that the housing remain affordable after refurbishments.
 - IDB has further communicated to Sustainalytics that the target population for the affordable housing projects will be the Underserved Populations.
 - More than 37% of the households in Latin American and Caribbean countries lack adequate housing. The housing deficit in many countries in the region is exacerbated by rapid urbanization, economic inequalities and vulnerability to natural disasters.³⁵ Sustainalytics acknowledges the need for improving access to affordable housing in Latin American and Caribbean countries and notes that the role of IDB is limited to providing financing to governments and public institutions for the development, refurbishing and improvement of affordable housing. Sustainalytics further notes that IDB does not have control over the detailed criteria and mechanisms for determining affordability and encourages the Bank to provide further disclosure on the positive social impacts of its financing allocated to below-median income populations, where feasible.
- Climate Disaster Recovery projects will include financing for the redevelopment and reconstruction of public basic infrastructure as well as residential and commercial buildings for all target population groups defined in the Framework and impacted by climate disasters.³⁶
 - IDB has confirmed to Sustainalytics that: i) financing for redevelopment projects will be limited to disaster-impacted areas; ii) basic public infrastructure will include hospitals, schools, sanitation facilities and roads³⁷ and iii) disaster relief housing projects may also include providing basic housing kits³⁸ for the target populations as an interim solution before providing them with permanent housing.
 - IDB has confirmed to Sustainalytics that public basic infrastructure financed as part of this activity will be accessible to all, regardless of ability to pay and that disaster relief response, including interim and permanent housing

³⁴ IEA, "Latin America Energy Outlook 2023", at: <https://www.iea.org/reports/latin-america-energy-outlook-2023/state-of-play>

³⁵ World Bank, "El costo y la asequibilidad de las soluciones de vivienda en América Latina y el Caribe", (2022), at:

<https://documents1.worldbank.org/curated/en/099808304282219845/pdf/IDU059c3b27b0eff8040c40b5320b7c4c151513b.pdf>

³⁶ IDB has communicated to Sustainalytics that reconstruction of disaster-impacted buildings will exclude industrial facilities and buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels.

³⁷ In case of road infrastructure, only public road infrastructure may be included to the extent that it is necessary for providing relief. Major roads and highways will not be financed where road connectivity is adequate.

³⁸ IDB defines basic housing kit as kits for prefabricated housing and basic building materials.

solutions, will be made available free of cost to the disaster-impacted target populations. Moreover, IDB will ensure that the infrastructure remains affordable to the target populations by including relevant clauses in the agreements signed with each borrowing country.

- Sustainalytics views expenditures related to climate disaster recovery to be socially impactful.
- Under the Socioeconomic Advancement and Empowerment category, IDB may finance or refinance the following:
 - Projects aimed at improving youth employability, social inclusion and gender equality, as well as reducing poverty.³⁹ IDB has communicated to Sustainalytics that such projects will target providing technical vocational education to Vulnerable Populations.
 - Programmes supporting cultural education to promote social inclusion. IDB has communicated to Sustainalytics that these programmes will be either subsidized or available free of cost to the Vulnerable Populations, aiming to improve accessibility to cultural education among them.
 - Social work programmes for families forced to resettle due to urban project developments. IDB has communicated to Sustainalytics that expenditures related to social work programmes will include construction and operation of counselling centres, rehabilitation centres and related services. IDB has also communicated to Sustainalytics that these programmes will be either subsidized or available free of cost to the Vulnerable Populations, aiming to improve accessibility and affordability of such social work programmes for the target groups.
 - Skills development programmes, apprenticeships and internships. IDB has communicated to Sustainalytics that these programmes will be either subsidized or available free of cost to youth belonging to the Vulnerable Populations, aiming to support in closing skills gaps.
 - Programmes aimed at improving access to finance and microfinance and financing to minority and women-owned MSMEs.
 - IDB has communicated to Sustainalytics that the expenditures under these activities will be limited to SMEs and MSMEs to support them in improving productivity.
 - IDB has confirmed to Sustainalytics that expenditures related to these programmes will be financed through intermediary financial institutions⁴⁰ that have responsible lending practices in place.
 - IDB's Environmental and Social Policy Framework applies to all financing decisions. Financing to SMEs and MSMEs will exclude activities involving child labour, poor working conditions and negative impact activities such as tobacco, firearms or weapons, palm oil and fossil fuel operations.
 - Sustainalytics notes that even though MSMEs account for 99% of formal enterprises in Latin American and Caribbean countries, they contribute to only 3.2% of the region's combined GDP, highlighting their need to adopt technologies and improvements in production processes. Furthermore, 75% of the financial needs of MSMEs in Latin America and the Caribbean remain unfunded. Sustainalytics acknowledges the important role of development finance institutions in improving access to finance for MSMEs, including in supporting them to enhance productivity.⁴¹ Nevertheless, Sustainalytics encourages IDB to report on the definition of MSMEs used in each country as well as the achieved impact.
 - Digital inclusion including access to fixed or mobile broadband. IDB has communicated to Sustainalytics that the digital inclusion projects will target the Vulnerable Populations, living in areas with no access to or substantially inadequate access to fixed or mobile broadband. IDB has communicated to Sustainalytics that populations

³⁹ IDB has confirmed to Sustainalytics that employment opportunities provided as part of such projects will exclude activities related to oil and gas.

⁴⁰ In case of indirect financing provided to MSMEs, IDB extends funding to first-tier intermediary financial institutions, which in turn provide funding to second-tier public financial institutions (such as microfinance institutions), which on-lend to MSMEs.

⁴¹ OECD, "Latin American Economic Outlook 2023", at: https://www.oecd-ilibrary.org/development/latin-american-economic-outlook-2023_8c93ff6e-en

- living in areas with substantially inadequate access to fixed or mobile broadband would include areas without 3G or above mobile broadband.
- Considering the above, Sustainalytics views expenditures under this category to be socially impactful.
 - Under the Cultural Heritage Preservation category, IDB may finance or refinance the following projects: i) renovation of historical buildings; ii) training, consulting services and project management systems provided to heritage foundations that manage historical buildings; iii) development and maintenance of urban spaces for artistic and cultural expression, such as atriums, markets, museums and squares.
 - IDB has communicated to Sustainalytics that the historical buildings and urban spaces will be accessible to all, regardless of ability to pay. Moreover, individuals belonging to the Vulnerable Populations will have access either free of cost or at a lower cost to ensure affordability.
 - Sustainalytics views expenditures under this category to be impactful and contributing towards preserving cultural heritage in Latin American and Caribbean countries.
 - Under the Employment Generation category, IDB may finance or refinance activities related to:
 - Projects aimed at improving employability. IDB has communicated to Sustainalytics that these projects may include vocational training programmes and job fairs. IDB has communicated to Sustainalytics that expenditures related to this activity will target individuals belonging to the Vulnerable Populations and Underserved Populations. Moreover, the job fairs will mostly target supporting SMEs and MSMEs in their recruitment processes.
 - Financing to MSMEs will include:
 - Programmes to subsidize MSMEs' climate transition. As part of this activity, SMEs and MSMEs will have access to finance at a subsidized rate for investing in energy efficiency technologies, products or equipment.⁴²
 - Development of equality policies and practices. IDB has communicated to Sustainalytics that expenditures related to this activity will include training, career development and policy-level changes that support or promote such training and career development for the Vulnerable Populations.
 - Programmes to promote the development of sustainable tourism projects to benefit rural and low-income regional economies. IDB has communicated to Sustainalytics that financing under these programmes will be limited to SMEs and MSMEs operating in the sustainable tourism sector.
 - Expenditures under this category will either be direct financing provided to borrowing countries or states for implementing policy-level changes or indirect financing provided to MSMEs through intermediary financial institutions.⁴³ IDB has confirmed to Sustainalytics that for all expenditures related to financing of SMEs and MSMEs, IDB will ensure that the intermediary financial institutions have responsible lending practices.⁴⁴
 - Sustainalytics notes that IDB's Environmental and Social Policy Framework is applicable to all financing decisions made by the Bank under the Framework and financing to SMEs and MSMEs will exclude activities involving child labour, poor working conditions, and negative-impact activities such as tobacco, firearms or weapons, palm oil and fossil fuel operations.
 - Sustainalytics notes that MSMEs account for 66% of formal employment in Latin American and Caribbean countries and acknowledges the key role of development finance institutions in improving access to finance for MSMEs and supporting employment generation in these countries.⁴⁵

⁴² IDB has communicated to Sustainalytics that energy-efficient technologies designed or intended for processes that are inherently carbon intensive or powered by fossil fuels will be excluded.

⁴³ In case of indirect financing provided to MSMEs, IDB extends funding to first-tier intermediary financial institutions, which in turn provide funding to second-tier public financial institutions (such as microfinance institutions), which on-lend to MSMEs.

⁴⁴ IDB has communicated to Sustainalytics that having responsible lending practices will be embedded in the terms and conditions of each loan agreement signed with a borrowing intermediary financial institution.

⁴⁵ OECD, "Latin American Economic Outlook 2023", at: https://www.oecd-ilibrary.org/development/latin-american-economic-outlook-2023_8c93ff6e-en

- Considering the above, Sustainalytics views the expenditures under this category to be socially impactful. Nevertheless, Sustainalytics encourages IDB to report on the definition of SMEs and MSMEs used in each country.
- Under the Food Security and Sustainable Food Systems category, IDB may finance or refinance the following: i) provision of subsidies to smallholder farmers and agricultural MSMEs for food production, aiming to promote food security and access to markets; ii) projects aimed at building climate change resilience for smallholder farmers and agricultural MSMEs in rural areas, such as enhancing the efficiency of water use in irrigation systems and reducing the risk of rural economic losses due to floods; and iii) development of research programmes, initiatives and agro-technology projects dedicated to agricultural transformation to increase food safety and productivity.
 - IDB has communicated to Sustainalytics that financing provided to smallholder farmers and agricultural MSMEs will occur through intermediary financial institutions. IDB will ensure that the borrowing intermediary financial institutions adhere to responsible lending practices.
 - Sustainalytics notes that IDB follows the definition of FAO for smallholder farmers and encourages the Bank to report on the definition of agricultural MSMEs. Sustainalytics notes the key role of the agriculture sector in the economic growth of Latin American and Caribbean countries, and views expenditures under this category to be contributing to improving food security in those countries.
- Under the Security, Justice and Conflict Resolution category, IDB may finance or refinance programmes aimed at improving safety for the Vulnerable Populations and Underserved Populations.
 - Programmes to address societal fragility, conflict and criminal violence will include the following:
 - Programmes and training to provide knowledge, skills and opportunities for residents of target communities to challenge and change attitudes that promote or tolerate violence. IDB has communicated with Sustainalytics that such programmes will be aimed at increasing awareness about crime reporting and laws among women and the Vulnerable Populations. These may also include community-led programmes for the prevention of violence against women. These may be implemented by non-profit organizations and expenditure will include the programmes' implementation, monitoring and evaluation costs.
 - Programmes for the social inclusion of young people who have high risk factors associated with violence or organized crime. IDB has communicated to Sustainalytics that these programmes involve cognitive therapy for juveniles, prisoners or at-risk adolescents⁴⁶ for changing their attitude towards drug abuse and violence.
 - Programmes that support victims in claims processing, accessing social services and preventing revictimization. IDB has communicated to Sustainalytics that examples of expenditures related to these programmes may also include counselling support for victims, legal aid and compensation. In case of women victims of domestic violence, the support programmes may also include offering guidance on finances, employment, health and temporary housing assistance aiming to improve economic and social autonomy for women victims.
 - Programmes to avoid crime recidivism will include:
 - Rehabilitation programmes that facilitate reintegration in society, prevent crime recidivism and combat organized crime. IDB has communicated to Sustainalytics that examples of such rehabilitation programmes may include providing legal aid, education, vocational training to former combatants or persons released from the prison system.

⁴⁶ IDB has communicated to Sustainalytics that at-risk adolescents are adolescents who: i) belong to the Vulnerable Populations and Underserved Populations groups; ii) live in areas with high prevalence of crime as per government data; and iii) are at risk of drug abuse, violence or crime recruitment.

- Construction and operation of socio-cultural centres. IDB has communicated to Sustainalytics that such socio-cultural centres can be accessed by all regardless of ability to pay and the programmes or sessions organized at the socio-cultural centres target adolescents belonging to the target population and at-risk of organized crime. These programmes aim to prevent incidents of violence, drug abuse, among others.
- Rehabilitation of human capital through family care programmes for adolescent offenders. IDB has communicated to Sustainalytics that family care programmes will include afterschool programmes for adolescents. Sustainalytics acknowledges that children living in areas with high prevalence of crime are at risk of being exposed to crime or engaging in violence. After-school programmes can potentially reduce the participants' violent behaviour inside as well as outside of school. Moreover, research indicates that after-school programmes can indirectly help in improving their attendance, attitudes toward school as well as learning and academic outcomes.⁴⁷
- IDB has communicated to Sustainalytics that expenditures under this category will exclude judicial infrastructure and law enforcement infrastructure.
- Approximately 20% of the population in Latin American and Caribbean countries consider violence to be the most pressing problem in their country. Moreover, violence from organized crime is viewed to be a critical issue facing their well-being.⁴⁸ IDB estimates that crime and violence lead to an average reduction of 3.5% in the GDP of the region.⁴⁹ Considering that crime and violence can hinder overall socio-economic development, Sustainalytics acknowledges the need for programmes intended to address societal fragility and avoid crime recidivism. Nevertheless, Sustainalytics encourages IDB to report on the details of the projects financed under this category and on the associated social impacts achieved.
- Under the State Modernization category, IDB may finance or refinance the following activities targeting the Vulnerable Populations, Underserved Populations and SMEs and MSMEs:
 - Upgrade and digitalization of public information systems dedicated to the modification, development and implementation of targeted public policies for the Vulnerable Populations, Underserved Populations and SMEs and MSMEs with the intention of making the resource distribution process for such populations more efficient. Examples of eligible expenditures may include upgrades to public information systems that provide information on subsidies or tax reimbursements which are relevant for the target populations.
 - Programmes supporting the digital transformation of public services and improving digital connectivity to target populations to improve use of public services. Examples of eligible programmes may include digital transformation of cash transfer systems and programmes to improve access to digital payments.
 - Expenditures related to the development and implementation of systems and processes that are specifically dedicated to bringing equity and efficiency in tax systems for the target populations. IDB has communicated with Sustainalytics that examples of such expenditures may include specific platforms that enable relevant tax subsidies and outreach programmes for such populations.
 - Programmes that support governments in incorporating climate change into the design and implementation of fiscal policies to promote a just and equitable transition to green economies. IDB has communicated to Sustainalytics that expenditures may include: i) employment generation programmes for people who have been impacted by climate change; ii) financing of public initiatives for training and creating awareness among local communities living in areas prone to natural disasters; iii) engaging with

⁴⁷ IDB, "When emotion regulation matters: The Efficacy of Socio-emotional Learning to Address School-based Violence in Central America", (2024), at: <https://publications.iadb.org/en/when-emotion-regulation-matters-efficacy-socio-emotional-learning-address-school-based-violence#:~:text=Back-When%20Emotion%20Regulation%20Matters%3A%20The%20Efficacy%20of%20Socio%2DEmotional%20Learning,Based%20Violence%20in%20Central%20America&text=interventions.,are%20well%2Dbehaved%20at%20school.>

⁴⁸ World Bank, "Competition: The Missing Ingredient for Growth?", (2024), at:

<https://openknowledge.worldbank.org/server/api/core/bitstreams/184bce21-8fec-4b14-acad-9ee256e7db93/content>

⁴⁹ IDB, "IDB Proposes Regional Alliance to Strengthen Security in Latin America and the Caribbean", (2024), at: <https://www.iadb.org/en/news/idb-proposes-regional-alliance-strengthen-security-latin-america-and-caribbean>

- communities to create local disaster management plans in areas that are most vulnerable to natural calamities; and iv) development and update of relevant local government plans to improve emergency response readiness.
- IDB has identified inefficient bureaucracy and inadequate digital progress as two of the key challenges that limit the technical and operational capacity of states in Latin America and the Caribbean.
 - Sustainalytics views expenditures under this category to be contributing to improving access to public systems and services for the target populations, and encourages IDB to report on the details of the projects financed under this category and on the associated social impacts achieved.
 - IDB's exclusions list in the Bank's Environmental and Social Policy Framework (ESPF) applies to all projects financed under the Framework. The ESPF prohibits activities related to weapons, tobacco, gambling, pesticides, thermal coal mining, coal-fired power generation, and upstream oil and gas exploration, among others.⁵⁰
 - Project Evaluation and Selection:
 - IDB's treasury division, in collaboration with the Bank's office of strategic planning and development effectiveness, selects projects in line with the Framework's eligibility criteria. As part of the project evaluation and selection process, the Bank's treasury division consults its internal lending specialists.
 - To address environmental and social risks associated with the projects financed under the Framework, all projects financed are screened for potential environmental and social risks in line with IDB's Environmental and Social Policy Framework by the Environmental and Social Risk Management Unit and monitored with two progress reports per year. Furthermore, IDB's environmental and social specialists classify and rate projects according to the associated environmental and social risks. Sustainalytics considers these risk management processes to be adequate. For additional details, refer to Section 2.
 - Based on an established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - IDB has communicated to Sustainalytics that it will be managing proceeds on a portfolio basis. An amount equal to net proceeds of the issued instruments under the Framework will be recorded in a separate sub-account and allocated to credible investments. IDB has communicated to Sustainalytics that the Bank's Treasury department will be responsible for management of proceeds. In the case that the selected projects no longer comply with the eligibility criteria in the Framework, IDB will reallocate proceeds to other eligible projects.
 - The Bank will allocate proceeds fully within 36 months of each issuance. Until full allocation, temporary proceeds will be held in cash and cash equivalents, in accordance with IDB's liquidity investment guidelines.
 - Based on the presence of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - IDB will make an annual allocation and impact report available on IDB Investor Website until full allocation of proceeds.
 - Allocation reporting will include the amount of net proceeds from the issued instruments allocated to eligible projects per project or category.
 - Impact reporting may include impact indicators such as annual energy savings in MWh (for electricity), annual GHG emissions reduced (tCO₂), number of families benefiting from social housing, number of students benefited by education projects, number of MSMEs and minority-owned businesses financed and number of jobs created.
 - Based on the commitments for allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

⁵⁰ While IDB's ESPF allows for financing of upstream gas exploration projects under certain circumstances, all such projects will be excluded from financing under the Framework.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Inter-American Development Bank Sustainable Debt Framework aligns with the SBG and the four core components of the GBP and SBP.

Section 2: Sustainability Strategy of IDB

Contribution to IDB's sustainability strategy

IDB's institutional strategy is built on three core objectives: i) reducing poverty and inequality; ii) addressing climate change; and iii) bolstering sustainable growth. The strategy also focuses on the following seven environmental and social areas: i) biodiversity, natural capital and climate action; ii) gender equality and inclusion; iii) social protection and human capital development; iv) institutional capacity; v) sustainable, resilient and inclusive infrastructure; vi) productivity and innovation; and vii) regional integration.⁵¹

As of 31 December 2023, IDB's active portfolio of sovereign guaranteed loans included 616 projects with an undisbursed balance of USD 32.2 billion.⁵² The Bank renewed its partnership with the UNDP in 2024 to streamline processes and support governments in achieving lasting development impacts through SDG-aligned tools and joint project implementation.⁵³ IDB's social development programmes in 2023 included: i) healthcare projects to enhance comprehensive coverage and quality of health services in Argentina, Brazil, Honduras and Paraguay; ii) education programmes in Argentina, Belize, Brazil, Ecuador, Guatemala, Haiti and Guyana with the aim of enrolling 32,000 new students in the education systems, enhancing the learning environment for 64,000 children and improving connectivity to 3,000 schools in remote areas; and iii) technical and vocational education projects and training in 15 countries to enable 25,000 individuals to acquire skills for high-quality jobs.⁵⁴ Internally, the Bank's 2023-2028 Diversity, Equity, and Inclusion Framework sets specific targets for 2028, including having 50% representation of women in senior roles, 10% for Afro-descendants, 8% each for people with disabilities and LGBTQ+ representation across the organization, and 5% for Indigenous individuals.⁵⁵

To support climate change mitigation and adaptation, in 2021, IDB announced its Climate Change Action Plan 2021-2025 setting a target to have at least 30% of its total approvals dedicated to climate finance by 2025.⁵⁶ In 2023, IDB financed USD 3.53 billion worth of projects related to environment and climate finance, representing 45% of the Bank's total approvals.⁵⁷ At COP26 in 2021, IDB announced its alignment with the Paris Agreement and committed to providing USD 24 billion in climate and green finance until 2025. In 2023, the Bank launched IDB CLIMA, a result-based approach to stimulate investments in biodiversity and climate in Latin American and Caribbean countries by way of offering loan discounts for meeting climate goals.⁵⁸

Sustainalytics is of the opinion that the Inter-American Development Bank Sustainable Debt Framework is aligned with the Bank's overall sustainability strategy and initiatives, and will further IDB's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) land use and biodiversity; ii) emissions in large-scale infrastructure development; iii) effluents and waste generated in construction; iv) occupational health and safety; v) community relations and stakeholder participation; and vi) lending and business ethics. Sustainalytics acknowledges that IDB plays a limited role in the development and implementation of specific projects, but notes that it is exposed to risks associated with the companies and projects to which it provides lending and financing.

⁵¹ IDB, "IDBStrategy+", at: <https://www.iadb.org/en/who-we-are/institutional-strategy>

⁵² IDB, "Inter-American Development Bank Annual Report 2023: The Year in Review", (2024), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2023-year-review>

⁵³ UNDP, "IDB and UNDP Enhance Collaboration", (2024), at: <https://www.undp.org/latin-america/press-releases/idb-and-undp-enhance-collaboration>

⁵⁴ IDB, "Inter-American Development Bank Annual Report 2023: The Year in Review", (2024), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2023-year-review>

⁵⁵ Ibid.

⁵⁶ IDB, "Climate Change Action Plan – 2021-2025", at: <https://publications.iadb.org/en/publications/english/viewer/Inter-American-Development-Bank-Group-Climate-Change-Action-Plan-2021-2025.pdf>

⁵⁷ IDB, "Inter-American Development Bank Annual Report 2023: The Year in Review", (2024), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2023-year-review>

⁵⁸ IDB, "Inter-American Development Bank Annual Report 2023: The Year in Review", (2024), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2023-year-review>

Sustainalytics is of the opinion that IDB is able to manage or mitigate potential risks through implementation of the following:

- To manage risks associated with land use and biodiversity, IDB follows its Environment and Biodiversity Sector Framework Document, which sets strategies for landscape management and securing property rights to combat deforestation.⁵⁹ In addition, the Guidance for Assessing and Managing Biodiversity Impacts and Risks in Inter-American Development Bank Supported Operations document includes the Environmental and Social Safeguard Policies (OP-703) which require environmental assessments and use of a mitigation hierarchy to manage biodiversity impacts. IDB also requires projects with significant risks to develop biodiversity action plans, and environmental and social management plans for ongoing monitoring and adaptive management. The precautionary principle and biodiversity offsets are also applied to compensate for residual impacts, supported by early biodiversity screening and classification systems.⁶⁰
- Regarding emissions in large-scale infrastructure development, the Bank's ESPF provides a comprehensive approach to managing environmental and social risks, and identifying and mitigating potential negative impacts on the environment and society. The ESPF also addresses a wide range of issues, including human rights, health and safety, biodiversity protection and environmental sustainability, mandating projects to follow best practices and legal requirements.⁶¹
- The IDB's Water and Sanitation Sector Framework Document mandates the integration of water resources management in sanitation services, focusing on the mitigation of pollution, proper waste disposal and the improvement in resilience to climate risks. The document also requires projects to have measures to safeguard water quality, prevent overexploitation and improve the efficiency of service providers.⁶²
- Regarding occupational health and safety, IDB addresses workplace hazards through its Environmental and Social Safeguards Unit. This unit is in charge of monitoring and enforcing the safety measures and protocols for project activities that might expose workers to risks. IDB's Community Health and Safety guidelines require projects to have measures such as the provision of protective equipment, safety training and the monitoring of working conditions to improve safety outcomes. IDB integrates these requirements into its environmental and social impact assessments and project management processes to mitigate occupational health risks.^{63,64}
- The IDB's Guidelines on Consultation and Stakeholder Engagement provide support to borrowers in carrying out public consultations in IDB-financed projects. These guidelines complement IDB's safeguard policies, advising borrowers on how to engage with affected communities, convey project impacts and establish grievance mechanisms. These measures are designed to manage social risks and foster meaningful participation, particularly in projects with significant environmental or social impacts.⁶⁵
- IDB addresses lending and business ethics risks through its Office of Institutional Integrity (OII), which investigates and prevents prohibited practices, such as fraud, corruption and money laundering. The OII is responsible for conducting Integrity Due Diligence assessments and ensuring compliance with the Bank's Anti-Money Laundering and Combating the Financing of Terrorism standards.⁶⁶ Additionally, the IDB's Integrity Framework sets guidelines for managing integrity risks in its operations, including the investigation of prohibited practices and the imposition of sanctions when necessary.⁶⁷ These processes are supported by the Independent Consultation and Investigation Mechanism which provides a formal channel for addressing non-compliance with IDB's

⁵⁹ IDB, "Environment and Biodiversity Sector Framework Document", at: <https://www.iadb.org/en/who-we-are/topics/environment-and-natural-resources/sector-framework-environment-and-natural>

⁶⁰ IDB, "Guidance for Assessing and Managing Biodiversity Impacts and Risks in Inter-American Development Bank Supported Operations", (2015), at: <https://publications.iadb.org/en/guidance-assessing-and-managing-biodiversity-impacts-and-risks-inter-american-development-bank>

⁶¹ IDB, "Environmental and Social Policy Framework", at: <https://www.iadb.org/en/who-we-are/topics/environmental-and-social-solutions/environmental-and-social-policy-framework>

⁶² IDB, "Water, Sanitation and Solid Waste Sector Framework Document", at: <https://www.iadb.org/en/who-we-are/topics/water-and-sanitation/sector-framework-water-and-sanitation>

⁶³ IDB, "Occupational Safety and Health in Latin America and the Caribbean: Overview, Issues and Policy Recommendations", at: <https://publications.iadb.org/en/occupational-safety-and-health-latin-america-and-caribbean-overview-issues-and-policy>

⁶⁴ IDB, "Community Health and Safety: Recommendations and Tools", (2011), at: <https://publications.iadb.org/en/community-health-and-safety-recommendations-and-tools>

⁶⁵ IDB, "Guidelines on Consultation and Stakeholder Engagement in IDB Projects", at: <https://publications.iadb.org/en/publications/english/viewer/Guidelines-on-Consultation-and-Stakeholder-Engagement-in-IDB-Projects.pdf>

⁶⁶ IDB, "The Office of Institutional Integrity", at: <https://www.iadb.org/en/who-we-are/transparency/sanctions-system/office-institutional-integrity>

⁶⁷ IDB, "Integrity Framework", at: <https://www.iadb.org/en/who-we-are/transparency/sanctions-system/sanctions-system-key-documents>

operational policies.⁶⁸ Additionally, the Bank's Code of Ethics requires employees to avoid conflicts of interest, disclose potential conflicts and ensure transparency in financial dealings.⁶⁹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that IDB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of improved access to education in Latin America and the Caribbean

Access to school in Latin America and the Caribbean improved from 1 in 4 children being out of school in 1989 to 1 in 10 in 2019.⁷⁰ However, less than 50% of students finish secondary school, showing that learning outcomes did not improve in the region at the same rate as access to primary school.⁷¹ Socio-economic disparities and regional inequalities are major factors behind these outcomes, particularly in rural areas, where only 30% of students from the poorest income quintiles complete secondary education.⁷² Moreover, after the Covid-19 pandemic learning poverty in Latin American and Caribbean countries is now estimated to be much higher than 50%.⁷³

To effectively support expanded access to good quality education, UNESCO recommends bringing education expenditures to 15-20% of public expenditure.⁷⁴ Countries in Latin America and the Caribbean currently direct 15% of their GDP per capita for primary and secondary education, and 26% for tertiary education, trailing behind Europe and the US and Canada, where government spending per student is among the highest globally.⁷⁵ In response, IDB, in conjunction with another multilateral development bank, is investing more than USD 500 million to advance digital education in Latin American and Caribbean countries, aiming to connect 3.5 million students and train 350,000 teachers across 16 countries. This initiative includes: i) building digital skills; ii) increasing access to connectivity and devices; and iv) creating resources to improve educational outcomes. An additional USD 400 million is planned to further expand these programmes over the next two years. These efforts aim to build resilient and equitable education systems and reduce the learning crisis in the region.⁷⁶ Additionally, in the Santiago Declaration of 2024, governments in Latin America and the Caribbean have committed to increasing educational financing through tax reforms, debt relief and public-private partnerships to achieve the 2030 Agenda's educational goals, with recovery strategies focused on digital infrastructure and teacher training.⁷⁷

In this context, Sustainalytics is of the opinion that IDB's investments in education will significantly enhance access to quality education throughout Latin America and the Caribbean.

Importance of financing renewable energy projects in Latin America and the Caribbean

In 2023, two-thirds of the energy used in Latin America and the Caribbean was derived from fossil fuels.⁷⁸ Even though the region accounts for just 5% of global cumulative energy-related GHG emissions and the share of coal in the region's energy mix is low, oil use remains relatively high.⁷⁹ Moreover, transitioning energy

⁶⁸ MICI, "Policy of the Independent Consultation and Investigation Mechanism of IDB", (2021), at: <https://mici.iadb.org/en/guide-filing-complaint>

⁶⁹ IDB, "Code of Ethics and Professional Conduct", at: <https://www.iadb.org/en/who-we-are/transparency/ethics-and-professional-conduct>

⁷⁰ World Bank, "Tackling the Learning Crisis in Latin America and the Caribbean", (2024), at: <https://www.worldbank.org/en/results/2024/03/22/tackling-the-learning-crisis-in-latin-america-and-the-caribbean>

⁷¹ Results for development, "Reducing Secondary School Dropouts in Latin America and the Caribbean: Policy Lessons and Recommendations", at: <https://r4d.org/projects/reducing-secondary-school-dropouts-latin-america-caribbean-policy-lessons-recommendations/>

⁷² Ibid.

⁷³ World Bank Group, "What is Learning Poverty?", at: <https://www.worldbank.org/en/topic/education/brief/what-is-learning-poverty>

⁷⁴ UNESCO, "Education in Latin America and the Caribbean at a crossroads", (2022), at: https://repositorio.cepal.org/bitstream/handle/11362/48154/3/S2200833_en.pdf

⁷⁵ Ibid.

⁷⁶ World Bank Group, "IDB and World Bank to Boost Digital Transformation in Education in Latin America and the Caribbean", (2023), at: <https://www.worldbank.org/en/news/press-release/2023/10/30/world-bank-idb-digital-transformation-education-latin-america-caribbean>

⁷⁷ United Nations ECLAC, "Education can't wait: Enabling conditions and investment for a better future in Latin America and the Caribbean", (2024), at: <https://www.cepal.org/en/events/education-can-t-wait-enabling-conditions-and-investment-better-future-latin-america-and>

⁷⁸ IEA, "Latin America Energy Outlook 2023", at: <https://www.iea.org/reports/latin-america-energy-outlook-2023/executive-summary>

⁷⁹ IEA, "Latin America Energy Outlook 2023", at: <https://www.iea.org/reports/latin-america-energy-outlook-2023/state-of-play>

sectors in Latin American and Caribbean countries is expected to be challenging, with energy demand projected to rise by more than 50% by 2050 from 2023.⁸⁰

Sixteen of 33 countries in Latin America and the Caribbean have pledged to achieve net zero emissions by 2050, considering the region's rich natural resources and the high potential for the development of renewable energy generation projects, such as bioenergy, solar and wind.⁸¹ Achieving these targets, however, will require a boost in investments in clean energy technologies and international support, including increased climate finance.⁸² A relatively slow period of GDP growth over the past decade slowed the realization of the region's untapped energy potential, but in an effort to increase investment, governments have started introducing GHG mitigation initiatives.⁸³ In 2024, Brazil and Chile were among the top 20 countries in the world in terms of progress on the energy transition, having increased renewable energy generation and the share of clean energy in their energy mix, in addition to enhancing a supportive regulatory environment for the energy transition, among other measures.⁸⁴ All countries in the region have submitted their first NDC and 29 have updated them to set more ambitious targets, with one-third explicitly mentioning an absolute or relative emissions reduction target.⁸⁵ However, despite this momentum, to meet the net zero emissions targets by 2050, the region will need to significantly accelerate clean energy investments, quadrupling them between 2026 and 2030 in comparison with the preceding decade.⁸⁶

Considering the above, Sustainalytics is of the opinion that IDB's investments in renewable energy projects are expected to have a positive effect on the reduction of GHG emissions in Latin America and the Caribbean.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Inter-American Development Bank Sustainable Debt Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy and Resource Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements 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
Climate Adaptation and Mitigation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport,

⁸⁰ World Bank Blogs, "From potential to action: energy efficiency in Latin America", at: <https://blogs.worldbank.org/en/energy/potential-action-energy-efficiency-latin-america>

⁸¹ IEA, "Latin America Energy Outlook 2023", at: <https://www.iea.org/reports/latin-america-energy-outlook-2023/state-of-play>

⁸² IEA, "World Energy Investment 2024", at: <https://www.iea.org/reports/world-energy-investment-2024/latin-america-and-the-caribbean>

⁸³ Ibid.

⁸⁴ World Economic Forum, "How Brazil and Chile are leading Latin America's energy transition", (2024), at: <https://www.weforum.org/agenda/2024/07/brazil-chile-latin-america-energy-transition/>

⁸⁵ IEA, "World Energy Investment 2024", at: <https://www.iea.org/reports/world-energy-investment-2024/latin-america-and-the-caribbean>

⁸⁶ IEA, "Latin America and the Caribbean", at: <https://www.iea.org/reports/world-energy-investment-2024/latin-america-and-the-caribbean>

		with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Access to Essential Services	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Access to Basic Infrastructure	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Socioeconomic Advancement and Empowerment	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	10. Reduce Inequalities	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
Cultural Heritage Preservation	11. Sustainable Cities and Communities	11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage

Employment Generation	4. Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
Security, Justice and Conflict Resolution	16. Peace, Justice and Strong Institutions	16.1 Significantly reduce all forms of violence and related death rates everywhere
State Modernization	17. Partnerships for the Goals	17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection

Conclusion

IDB has developed the Inter-American Development Bank Sustainable Debt Framework, under which the Bank intends to issue green, social and sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future public sector projects that are expected to generate positive environmental and social impacts.

The Framework outlines a process for the tracking, allocation and management of proceeds and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with IDB's overall sustainability strategy and that the use of proceeds will contribute to advance UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 10, 11, 13, 15, 16 and 17. Additionally, Sustainalytics is of the opinion that IDB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Inter-American Development Bank is well positioned to issue green, social and sustainability bonds and that the Inter-American Development Bank Sustainable Debt Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an "expert opinion" or "negative assurance letter" as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose Sustainalytics has not independently verified any such information or data. The deliverables are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers' names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.

