

# Sustainalytics Second Party Opinion

## Inter-American Development Bank Sustainable Debt Framework

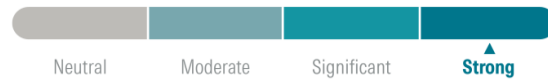
31 October 2025

Framework owner and location:  
Inter-American Development Bank  
Washington, DC, US

Sector:  
Banks

### Overall Assessment

Sustainability Contribution



Principles Alignment

✓ Aligned

Green Bond Principles 2025  
Social Bond Principles 2025  
Sustainability Bond Guidelines 2021

### Contribution to SDGs



### Assessment Summary

The Inter-American Development Bank has developed the Inter-American Development Bank Sustainable Debt Framework, dated October 2025, under which it intends to issue green, social and sustainability bonds to fund public sector projects in Latin America and the Caribbean region under 20 environmental and social categories. We have assessed the overall Sustainability Contribution of the Framework as **Strong** based on the average Sustainability Contribution of the Framework's 20 use of proceeds categories. As per our methodology, we have applied equal weighting across categories.

The IDB intends to finance environmental expenditures in Energy Efficiency; Renewable Energy; Environmentally Sustainable Management of Living Natural Resources and Land Use; Climate Change Adaptation; Clean Transportation; Sustainable Water and Wastewater Management; and Pollution Prevention and Control. Overall, the environmental expenditures are expected to contribute to the biodiversity and climate action of the IDB's borrower countries and promote pollution prevention and sustainable water management. However, the refurbishment of existing large hydropower plants with unknown emissions intensity is considered to have uncertain climate mitigation impacts.

The IDB intends to finance social expenditures in the categories of Access to Essential Services - Education; Healthcare; Access to Basic Infrastructure - Water and Sanitation, Energy, Transport, Housing, Climate Disaster Recovery; Socioeconomic Advancement and Empowerment; Cultural Preservation; Employment Generation; Food Security and Sustainable Food Systems; Security, Justice, and Conflict Resolution; and State Modernization. Each of the social categories target at least one of the following: Vulnerable Populations, Underserved Populations, and MSMEs. Certain aspects of the definitions of some target populations also lack specificity, including those related to the intended beneficiaries of state modernization expenditures, where the target populations are generally broad-based across society. Moreover, in the case of some social expenditures, affordability will be addressed but not guaranteed. Nevertheless, the social expenditures are expected to contribute to the overall socio-economic development of the IDB's borrower countries.

We have assessed the Framework as **Aligned** with the Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021.

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This Second Party Opinion provides our point-in-time independent opinion of the Framework as at the Evaluation Date above and serves as an update to our previous Second Party Opinion dated 9 December 2024. Our assessments of Sustainability Contribution and Principles Alignment are based on our Assessment Framework for Use of Proceeds Instruments (also see Annex 1: Assessment Framework Overview). Our opinion also considers additional information that the Framework owner provided up to the Evaluation Date, as well as public and non-public information.

## Breakdown per Use of Proceeds Category

We have assessed the overall Sustainability Contribution of the Framework as **Strong** based on the average Sustainability Contribution of the Framework's use of proceeds categories. As per our methodology, we have distributed weight equally across categories, as shown below.

Category	Sustainability Contribution Level	Weight
Energy Efficiency	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Renewable Energy	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Climate Adaptation and Mitigation	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Clean Transportation	<p>Neutral Moderate <b>Significant</b> Strong</p>	5%
Sustainable Water and Wastewater Management	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Pollution Prevention and Control	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Access to Essential Services - Education	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Access to Essential Services - Healthcare	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Access to Basic Infrastructure - Water and Sanitation	<p>Neutral Moderate Significant <b>Strong</b></p>	5%

Category	Sustainability Contribution Level	Weight
Access to Basic Infrastructure - Energy	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Access to Basic Infrastructure - Transport	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Access to Basic Infrastructure - Housing	<p>Neutral Moderate <b>Significant</b> Strong</p>	5%
Access to Basic Infrastructure - Climate Disaster Recovery	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Socio-Economic Advancement and Empowerment	<p>Neutral Moderate Significant <b>Strong</b></p>	5%
Cultural Heritage Preservation	<p>Neutral Moderate <b>Significant</b> Strong</p>	5%
Employment Generation and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Climate Transition Projects and/or Other Considerations for a "Just Transition"	<p>Neutral Moderate <b>Significant</b> Strong</p>	5%
Food Security and Sustainable Food Systems	<p>Neutral Moderate <b>Significant</b> Strong</p>	5%
Security, Justice, and Conflict Resolution	<p>Neutral Moderate <b>Significant</b> Strong</p>	5%
State Modernization	<p>Neutral <b>Moderate</b> Significant Strong</p>	5%

## Issuer Overview & Sustainability Strategy

The IDB 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 borrower countries in Latin America and the Caribbean. In addition to its borrowing member countries, the IDB has 22 non-borrowing members in Asia, Europe and North America.<sup>1,2</sup>

The Bank integrates environmental and social factors into its sustainability strategy, focusing on seven operational 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.<sup>3</sup>

Since 1990, the Bank has partnered with the UNDP to support lending processes and governments in achieving their development goals, renewing this partnership in 2024 to continue to facilitate deployment of UN SDG-aligned tools and joint project implementation.<sup>4</sup> In 2024, the Bank adopted a new Impact Framework for its financing activities, targeting: i) at least 50% of new approvals to include green and climate finance; ii) 90% of projects supporting gender equality; and iii) 90% of projects to include effective environmental and social risk mitigation.<sup>5</sup> The IDB's Climate Change Action Plan 2021-2025 aims for least 30% of its total approvals dedicated to climate finance by 2025.<sup>6</sup> In 2023, the Bank launched IDB CLIMA, offering loan discounts for biodiversity and climate-focused projects in Latin American and Caribbean countries. Under its IDBStrategy+ framework, the IDB has developed a social financing strategy, emphasizing investments that address multidimensional poverty, and the intersection of poverty with climate change and food security.<sup>7</sup>

The IDB's sustainability governance is guided by its Environmental and Social Policy Framework (ESPF), which is approved by its Board of Directors.<sup>8</sup> The IDB's Strategy, Knowledge and Impact Division is responsible for overall strategy oversight, while the Strategic Operational Quality Review Division supports the Bank in enhancing project impact. In addition, its Citizen Security Division reinforces the Bank's environmental and climate work.<sup>9</sup>

The IDB publishes Annual Sustainability Reports and Annual Reports on its website.<sup>10</sup> The Annual Sustainability Report adheres to the GRI Standards, covering its operational and corporate metrics, and discloses quantitative and qualitative data on the Bank's sustainability performance.<sup>11</sup>

<sup>1</sup> The 26 borrowing countries include Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela. IDB, "Borrowing Member Countries", at: <https://www.iadb.org/en/who-we-are/how-we-are-organized/borrowing-member-countries>

<sup>2</sup> IDB, "Annual Report 2024 Financial Statements", (2025), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2024-financial-statements>

<sup>3</sup> IDB, "IDBStrategy+", at: <https://www.iadb.org/en/who-we-are/institutional-strategy>

<sup>4</sup> UNDP, "IDB and UNDP Enhance Collaboration", (2024), at: <https://www.undp.org/latin-america/press-releases/idb-and-undp-enhance-collaboration>

<sup>5</sup> IDB, "Inter-American Development Bank Annual Report 2024: The Year in Review", (2025), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2024-year-review>

<sup>6</sup> 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>

<sup>7</sup> IDB, "IDB Strategy+ Approach to Reducing Poverty and Inequality", (2025), at: <https://www.iadb.org/en/who-we-are/institutional-strategy>

<sup>8</sup> IDB, "Environmental and Social Policy Framework", (2020), at: <https://www.iadb.org/en/who-we-are/topics/environmental-and-social-solutions/environmental-and-social-policy-framework>

<sup>9</sup> IDB, "Inter-American Development Bank Annual Report 2024: The Year in Review", (2025), at: <https://publications.iadb.org/en/inter-american-development-bank-annual-report-2024-year-review>

<sup>10</sup> IDB, "IDB Publications Catalog", at: <https://publications.iadb.org/en>

<sup>11</sup> IDB, "Inter-American Development Bank Sustainability Report 2023", (2024), at: <https://publications.iadb.org/en/inter-american-development-bank-sustainability-report-2023>

## Principles Alignment

We have assessed the Inter-American Development Bank Sustainable Debt Framework as follows:

Green Bond Principles 2025 – **Aligned**

Social Bond Principles 2025 – **Aligned**

Sustainability Bond Guidelines 2021 – **Aligned**

The Bank intends to issue green, social and sustainability bonds under the Framework.

### Principles Alignment Detailed Evaluation

#### Use of Proceeds

**Aligned**

*Alignment with core requirements*

- ▶ The Framework describes eligibility criteria appropriately.
- ▶ The Framework identifies relevant target populations for social projects.
- ▶ All expenditures are expected to provide clear environmental or social benefits.

*Additional considerations*

- ▶ The Bank has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank has defined a look-back period of 36 months for refinancing.

#### Project Evaluation and Selection

**Aligned**

*Alignment with core requirements*

- ▶ The Framework describes a governance process for the evaluation and selection of eligible projects.
- ▶ The Framework communicates the environmental or social sustainability objectives of eligible projects.
- ▶ The Framework describes a process to identify and manage perceived environmental and social risks associated with eligible projects.

*Additional considerations*

- ▶ The Bank has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank describes how eligible projects support its overarching sustainability objectives and strategy.
  - ▶ In addition to the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, the IDB intends for the Framework to align with the Amazonia Bond Issuance Guidelines.<sup>12</sup>
  - ▶ The Framework excludes the financing of activities related to weapons, tobacco, gambling, fossil fuels and other activities prohibited under the IDB's Environmental and Social Exclusion List.<sup>13</sup>

<sup>12</sup> IDB, "Amazonia Bond Issuance Guidelines: Guidance for Labeled Bonds Dedicated to Financing the Economic, Environmental, and Social Development of the Amazonia Region", (2025), at: <https://publications.iadb.org/en/amazonia-bond-issuance-guidelines-guidance-labeled-bonds-dedicated-financing-economic-environmental>

<sup>13</sup> While the IDB's ESPF allows for financing upstream gas exploration projects under certain circumstances, all such projects will be excluded from financing under the Framework.

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**Management of Proceeds****Aligned***Alignment with core requirements*

- ▶ The Framework describes a governance structure for the management of proceeds.
- ▶ The Framework describes the processes and systems that will be used to track the proceeds.
- ▶ The Framework describes the intended temporary placement for the balance of unallocated proceeds.

*Additional considerations*

- ▶ The issuer has committed to the following practices, which go beyond the core requirements:
  - ▶ Pending full allocation, temporary proceeds will be held in cash and cash equivalents, in accordance with the IDB's liquidity investment guidelines.
  - ▶ The Bank intends to fully allocate proceeds to eligible projects within 36 months of each issuance.

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**Reporting****Aligned***Alignment with core requirements*

- ▶ The Bank will provide an annual allocation report until full allocation of proceeds and renew it in case of material changes until maturity.

*Additional considerations*

- ▶ The Bank has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank will publish a category- or project-level allocation report.
  - ▶ The Bank will report on the qualitative and quantitative impacts of projects using relevant metrics, where feasible.
  - ▶ The Bank will have a process in place to ensure that there is no double counting of proceeds and impacts associated with financed projects.
  - ▶ The Framework indicates at least one indicative impact metric for each category.
  - ▶ The Bank will publish allocation and impact reports on its website.

## Sustainability Contribution

The IDB intends to use the proceeds from instruments issued under the Framework to finance and refinance projects, programmes and activities expected to contribute to environmental and social advancements in the 26 Latin American and Caribbean countries that borrow from the IDB.

As part of financing under the Framework, the 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. These second-tier institutions on-lend to the final beneficiaries, including micro, small and medium-size enterprises (MSMEs), and the Vulnerable and Underserved Populations defined in the Framework.

We have assessed the overall Sustainability Contribution of the Framework as **Strong** based on the average Sustainability Contribution of the Framework's use of proceeds categories. As per our methodology, we have distributed weight equally across categories.

Sustainability Contribution



### Sustainability Contribution per Use of Proceeds Category

Energy Efficiency



We have assessed the Sustainability Contribution of the Energy Efficiency category as **Strong**.

Expenditures under this category include energy efficiency upgrades for buildings and street lighting; smart meters and automation equipment for electrical transmission grids; and efficiency improvement in electrical transmission grid operations. These investments promote the use of energy-efficient solutions and support the reduction of renewable energy intermittency and the integration of renewables into electricity networks, thereby strongly contributing to reducing GHG emissions.

#### Category Expenditures

Expenditure	Description
Retrofitting and installation of energy efficiency upgrades in buildings	<ul style="list-style-type: none"> <li>▶ Installation, maintenance and repair of LED lighting, HVAC upgrades, smart building retrofits, sensors and controls.</li> <li>▶ Excludes equipment that runs on fossil fuels.</li> </ul>
Smart meters and other remote monitoring and controlling equipment	<ul style="list-style-type: none"> <li>▶ Installation, maintenance and repair of smart meters and remote monitoring, control and automation equipment for electrical transmission grids to promote the efficient use of energy resources.</li> <li>▶ Excludes gas smart meters.</li> <li>▶ Energy efficiency equipment and technologies will not be designed or intended for processes that are inherently carbon intensive.</li> </ul>

	<ul style="list-style-type: none"> <li>▶ Equipment will not run on fossil fuels and will not be applied to transmission lines connected or dedicated to power produced from fossil fuel.</li> </ul>
Energy efficiency improvement for operation of electric transmission grids	<ul style="list-style-type: none"> <li>▶ Management and operation of electrical transmission grids with the purpose of improving efficiency and decreasing grid technical losses.</li> <li>▶ Projects related to smart grid components 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 the integration of renewable energy into the grid and improve energy efficiency.</li> </ul>
Street lighting improvements and upgrades	<ul style="list-style-type: none"> <li>▶ Street lighting upgrades will be limited to the conversion of street lighting to LED to promote efficient use of energy resources</li> </ul>

#### *Analytical Commentary*

According to the IEA, improving energy efficiency is critical to limiting energy demand and emissions through 2030 and supporting the goal of net zero emissions by 2050.<sup>14</sup> However, global energy efficiency improved only 1% between 2023 and 2024. Accelerating energy efficiency improvements can reduce CO<sub>2</sub> emissions by more than one-third by 2030 compared with 2024 and help reach net zero emissions by 2050.<sup>15</sup> Electrification facilitates the decarbonization of processes previously reliant on fossil fuels and enables the use of renewable energy in such processes. Furthermore, smart grid technologies play a key role in managing the electrification and clean energy transition by enhancing grid reliability and reducing the need for costly infrastructure expansion.<sup>16</sup>

The Framework's expenditures related to technologies and equipment dedicated to improving the energy efficiency of buildings and street lighting will contribute to reducing GHG emissions. Similarly, improving efficiency in electrical transmission grids will contribute to decarbonizing the electricity grid, reducing the intermittency of renewable energy and facilitating the integration of renewable energy into the grid. Overall, expenditures under the category are expected to provide strong environmental benefits.

<sup>14</sup> IEA, "Net Zero by 2050", (2021), at: <https://www.iea.org/reports/net-zero-by-2050>

<sup>15</sup> IEA, "Energy Efficiency", (2024), at: <https://iea.blob.core.windows.net/assets/f304f2ba-e9a2-4e6d-b529-fb67cd13f646/EnergyEfficiency2024.pdf>

<sup>16</sup> IEA, "Smart Grids", at: <https://www.iea.org/energy-system/electricity/smart-grids>

Renewable Energy



We have assessed the Sustainability Contribution of the Renewable Energy category as **Strong**.

Expenditures under this category include the financing of wind, solar and hydropower energy generation projects, as well as transmission infrastructure projects. While hydropower plants generally have low emissions intensities, in the absence of specific emissions criteria the refurbishment of such hydropower plants moderately contribute to energy system decarbonization. Nonetheless, overall, the expenditures under this category are expected to make a strong contribution to reducing energy-related GHG emissions.

Category Expenditures

Expenditure	Description
Wind power generation	<ul style="list-style-type: none"> <li>▶ Acquisition, construction, operation and maintenance of onshore and offshore wind generation facilities.</li> <li>▶ Offshore wind facilities may have a fossil fuel back-up limited to power monitoring, operating and maintenance equipment, as well as resilience or measures and restart capabilities.</li> </ul>
Solar power generation	<ul style="list-style-type: none"> <li>▶ Acquisition, construction, operation and maintenance of solar photovoltaic and concentrated solar power (CSP) projects. For CSP projects, at least 85% of the energy generated is from solar energy.</li> </ul>
Hydro power generation	<ul style="list-style-type: none"> <li>▶ Acquisition, construction, operation and maintenance of small run-of-river hydropower facilities with an installed capacity of at most 25 MW and no or limited impoundment.</li> <li>▶ 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.</li> </ul>
Refurbishment of hydropower facilities	<ul style="list-style-type: none"> <li>▶ Refurbishment and repower of existing large hydropower facilities to extend the facilities' useful life or to enhance their energy storage and production capacity with improved efficiency.</li> <li>▶ 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.</li> </ul>
Renewable electricity transmission and distribution	<ul style="list-style-type: none"> <li>▶ Direct connections to and associated grid upgrades required for the interconnection of renewable electricity generation sources.</li> <li>▶ Regional interconnections to support the dispatch of renewable energy from regions with surplus renewable power to load centres.</li> <li>▶ Grids and networks that are on a pathway to decarbonization:                             <ul style="list-style-type: none"> <li>▶ The grid's average emissions factor is less than 100 gCO<sub>2</sub>e/kWh over a rolling five-year average period; or</li> <li>▶ More than 67% of newly connected generation capacity in the system comply with the 100 gCO<sub>2</sub>e/kWh threshold (over a rolling five-year average period).</li> </ul> </li> </ul>

### *Analytical Commentary*

Electricity and heat generation were responsible for approximately 44% of global CO<sub>2</sub> emissions from fuel combustion in 2022.<sup>17</sup> Unabated fossil fuels continue to account for more than 60% of the total global electricity generation. In order to achieve net zero emissions by 2050, the share of renewable energy must increase to 90% by 2050.<sup>18,19</sup>

Investments in wind, solar and small run-of-river hydropower projects strongly contribute to the goal of zero-emission energy systems, as they have life cycle GHG emissions intensities below the technology-agnostic threshold of 100 gCO<sub>2</sub>e/kWh.<sup>20,21,22</sup> Investments in the refurbishment of existing large hydropower facilities with unknown emissions intensities may lock-in power generation from such facilities that may have high emissions. GHG emission intensities from hydropower projects vary widely, with a median value of 24gCO<sub>2</sub>e/kWh, however, ranging from as low as 1 gCO<sub>2</sub>e/kWh to as high as 2,200 gCO<sub>2</sub>e/kWh, depending on the type of project.<sup>23,24</sup> Given the long operating lifetimes of hydropower facilities, which can exceed 100 years,<sup>25</sup> such projects could lock in energy generation for an extended period. Therefore we consider such projects to deliver modest benefits with regard to the decarbonization of energy systems.

Additionally, investments in grid infrastructure support the transmission and distribution of renewables across the grid. The average carbon intensity of electricity grids in Latin America and the Caribbean stood at approximately 255gCO<sub>2</sub>/kWh in 2024,<sup>26</sup> which is lower than the global average of 445gCO<sub>2</sub>/kWh in the same year.<sup>27</sup> Considering the above, the financed grids with more than 67% of newly connected generation capacity in the system complying with the emissions factor threshold of 100 gCO<sub>2</sub>e/kWh are expected to strongly contribute to the integration of renewables into the region's grids.

Overall, expenditures under this category are expected to deliver a strong sustainability contribution by reducing GHG emissions in energy supply.

<sup>17</sup> IEA, "Greenhouse Gas Emissions from Energy Data Explorer", (2024), at: <https://www.iea.org/data-and-statistics/data-tools/greenhouse-gas-emissions-from-energy-data-explorer>

<sup>18</sup> IEA, "Electricity - Tracking", (2023), at: <https://www.iea.org/energy-system/electricity>

<sup>19</sup> IEA, "Net Zero by 2050", (2021), at: <https://www.iea.org/reports/net-zero-by-2050>

<sup>20</sup> EU Technical Expert Group on Sustainable Finance, "Taxonomy Report Technical Annex", (2020), at: [https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf](https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

<sup>21</sup> IEA, "Integrating Solar and Wind", (2024), at: <http://iea.org/reports/integrating-solar-and-wind>

<sup>22</sup> IPCC, "Renewable Energy Sources and Climate Change Mitigation", (2011), at: [https://www.ipcc.ch/site/assets/uploads/2018/03/SRRN\\_Full\\_Report-1.pdf](https://www.ipcc.ch/site/assets/uploads/2018/03/SRRN_Full_Report-1.pdf)

<sup>23</sup> International Hydropower Association, "Hydropower's carbon footprint", at: <https://www.hydropower.org/factsheets/greenhouse-gas-emissions>

<sup>24</sup> Climate Bond Initiative, "Hydropower", at: <https://www.climatebonds.net/our-expertise/climate-bonds-standard-and-certification-scheme/sector-criteria/hydropower>

<sup>25</sup> Climate Bond Initiative, "Hydropower Criteria - Development of Eligibility Criteria for the Climate Bonds Standard & Certification Scheme - Background Paper", (2021), at: [https://www.climatebonds.net/files/documents/Climate-Bonds\\_Hydropower\\_Background-Paper\\_Mar-2021.pdf](https://www.climatebonds.net/files/documents/Climate-Bonds_Hydropower_Background-Paper_Mar-2021.pdf)

<sup>26</sup> Ember, "Latin America and Caribbean: Clean power replacing emissions-intensive fossil fuels", (2025), at: <https://ember-energy.org/countries-and-regions/latin-america-and-caribbean/>

<sup>27</sup> IEA, "Electricity 2025", at: <https://www.iea.org/reports/electricity-2025>

Environmentally Sustainable Management of Living Natural Resources and Land Use



We have assessed the Sustainability Contribution of the Environmentally Sustainable Management of Living Natural Resources and Land Use category as **Strong**.

Expenditures under this category include aquaculture and agriculture projects supported by certifications, which generally address soil health, minimizing chemical inputs, efficient resource use and emissions intensity; however, not all certifications do so comprehensively. Moreover, we consider waste-to-energy to be an interim solution given its reliance on waste inputs from landfills and high carbon intensity. Nonetheless, expenditures under this category are expected to make a strong contribution to biodiversity protection, agriculture and marine production as well as sustainable ports infrastructure.

Category Expenditures

Expenditure	Description
Pest and disease control measures	<ul style="list-style-type: none"> <li>▶ Surveillance and control to prevent introduction of and mitigate impact of pests and diseases.</li> <li>▶ Excludes use of herbicides or insecticides to control or eradicate invasive pests or plants.</li> <li>▶ Excludes hunting, trapping, poisoning and culling of vertebrate animals considered as pests.</li> </ul>
Irrigation techniques that promote water efficiency, water recycling and rainwater harvesting	<ul style="list-style-type: none"> <li>▶ Irrigation techniques that promote efficient water allocation, recycling, and rainwater harvesting for agriculture.</li> <li>▶ Systems and facilities dedicated to industrial scale livestock are excluded.</li> </ul>
Production of certified crops and commodities with certifications	<ul style="list-style-type: none"> <li>▶ Production of certified crops and commodities in line with robust sustainability certifications, including: Rainforest Alliance,<sup>28</sup> Bonsucro,<sup>29</sup> Round Table for Responsible Soy (RTRS),<sup>30</sup> ProTerra,<sup>31</sup> 4C level 2 or above,<sup>32</sup> Forest Stewardship Council (FSC),<sup>33</sup> Program for the Endorsement of Forest Certification (PEFC),<sup>34</sup> CERFLOR,<sup>35</sup> and any nationally designated organic standard.</li> <li>▶ Production under any other nationally designated organic standard will exclude emissions intensive commodities and identify opportunities to reduce emissions at the farm level.</li> </ul>
Regenerative agriculture, agroforestry and smallholder farms	<ul style="list-style-type: none"> <li>▶ Regenerative agriculture techniques projects will include rebuilding soil organic matter and restoring degraded soil biodiversity on agroforestry units and smallholder farms.</li> <li>▶ These agroforestry units and smallholder farms will be accompanied by a sustainable forest management plan, enabling family producers to comply</li> </ul>

<sup>28</sup> Rainforest Alliance: <https://www.rainforest-alliance.org/about/>

<sup>29</sup> Bonsucro: <https://bonsucro.com/production-standard/>

<sup>30</sup> RTRS: <https://responsiblesoy.org/?lang=en>

<sup>31</sup> ProTerra: <https://www.proterrafoundation.org/>

<sup>32</sup> 4C: <https://www.commonshare.com/standards/4c>

<sup>33</sup> FSC: <https://ca.fsc.org/en-ca>

<sup>34</sup> PEFC: <https://www.pefc.org/standards-implementation>

<sup>35</sup> CERFLOR: <http://www.inmetro.gov.br/qualidade/cerflor.asp>

	with requirements that would have otherwise been met through FSC or PEFC certification.
Certified fisheries and aquaculture	<ul style="list-style-type: none"> <li>▶ Fisheries and aquaculture with certifications including: Marine Stewardship Council (MSC),<sup>36</sup> Aquaculture Stewardship Council (ASC),<sup>37</sup> Global G.A.P. Aquaculture,<sup>38</sup> Best Aquaculture Practices (2 stars or above)<sup>39</sup> and Best Seafood Practices certification by Global Seafood Alliance,<sup>40</sup> and any nationally designated organic standard. <ul style="list-style-type: none"> <li>▶ All financed fisheries and aquaculture projects will incorporate climate-related risks and seek emissions reductions opportunities, as per the IDB's requirements for all financed projects.</li> </ul> </li> <li>▶ Aquaculture and fisheries certified by Best Seafood Practices will be accompanied by the assurance of sustainable sourcing, such as MSC and ASC, to ensure the whole value chain is sustainable. Bottom trawling will also be excluded from MSC certified projects.</li> </ul>
Green ports infrastructure	<ul style="list-style-type: none"> <li>▶ Infrastructure at ports, including low-carbon marine fuel bunkering facilities and shore to ship power.</li> <li>▶ Vessels will not be financed under this category and low-carbon fuel will be limited to green methanol, hydrogen, biofuel or ammonia.</li> <li>▶ Water treatment equipment and facilities for all blackwater and greywater generated from ports, shipping and cruising vessels. Wastewater treatment equipment will not be installed on vessels. All wastewater treatment facility financing will incorporate water leakage assessments, and all such projects will have water leakage detection capabilities throughout the project lifecycle. Projects will also have management places in place to monitor the discharge into receiving waters, and generated sewage sludge will be further treated.</li> <li>▶ Solid waste receiver facilities at ports and terminals for the collection of garbage. The waste receiver facilities will segregate waste at source.</li> <li>▶ Construction and operation of waste-to-energy facilities that will ensure segregation of recyclables before incineration, and the waste streams of the financed facilities will not be dedicated to fossil-based inputs such as fossil-based plastics, rubber, scrap tires and tire-derived fuels, refuse-derived fuel and solid recovery fuel</li> <li>▶ Waste recycling facilities wherein recycling e-waste from electrical and electronic equipment will be accompanied by robust waste management processes to mitigate associated risks.</li> <li>▶ Plastic production: a) production with at least 90% recycled, renewable or bio-based input where biogenic input will be sustainably sourced; b) single-use plastic products will be excluded;</li> <li>▶ Plastic recycling: mechanical and chemical recycling (where mechanical recycling isn't possible). Chemical recycling of plastics where: i) the recycled product will have life cycle emissions lower than the 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.</li> </ul>

<sup>36</sup> MSC: <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>37</sup> ASC: <https://asc-aqua.org/business/chain-of-custody-standard/>

<sup>38</sup> Global G.A.P. Aquaculture: <https://www.globalgap.org/>

<sup>39</sup> Best Aquacultural Practices: <https://www.bapcertification.org/>

<sup>40</sup> Best Seafood Practices: <https://bspcertification.org/>

	<ul style="list-style-type: none"> <li>▶ Infrastructure in ports dedicated to fossil fuel shipping and exports as well as waste collection vehicles will not be financed under the Framework.</li> </ul>
Conservation of biodiversity and ecosystems and development of green spaces	<ul style="list-style-type: none"> <li>▶ Conservation of key biodiversity areas through the establishment of recognized protected areas.</li> <li>▶ Conservation and development of green spaces will include parks as well as wetlands and marine areas such as seagrass beds, coral and mangroves.</li> <li>▶ The management of forests will not result in degradation of land with high carbon stock.</li> </ul>
Technologies that prevent deforestation	<ul style="list-style-type: none"> <li>▶ Traceability technologies used to prevent deforestation and monitor biodiversity benefits, e.g., satellites and satellite imagery, artificial intelligence for anomaly detection.</li> </ul>
Afforestation and reforestation projects	<ul style="list-style-type: none"> <li>▶ Sustainable forestry, i.e. afforestation or reforestation projects, preservation or restoration of natural landscapes.</li> <li>▶ Eligible certifications for sustainable forestry include FSC, PEFC and Rainforest Alliance.</li> <li>▶ The management of forests should not result in degradation of land with high carbon stock.</li> </ul>
Reforestation and biodiversity corridors	<ul style="list-style-type: none"> <li>▶ Rewilding through creating and restoring habitats for wildlife including reforestation and biodiversity corridors.</li> </ul>
Research on conservation and ecosystem protection	<ul style="list-style-type: none"> <li>▶ Research targeting conservation and protection of marine and coastal ecosystems.</li> </ul>
<b>Additional details</b>	
<ul style="list-style-type: none"> <li>▶ All reforestation and conservation initiatives, including development of green spaces financed under this category will use tree species that are well adapted to the site conditions.</li> <li>▶ 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.</li> <li>▶ The management of forests will not result in degradation of land with high carbon stock.</li> <li>▶ The IDB will be financing all conservation projects in collaboration with the governments of the borrower countries. Each project will undergo an assessment and will be followed by regular monitoring.</li> </ul>	

### *Analytical Commentary*

Globally, biodiversity is declining at a rate that is 10 to 100 times higher than the natural baseline, largely due to human impacts such as land degradation, deforestation, habitat fragmentation, pollution, invasive species and climate change.<sup>41,42</sup> Approximately 60% of the world's terrestrial life and diverse marine and freshwater species can be found in Latin America and the Caribbean region.<sup>43</sup> However, monitored wildlife populations in Latin America and the Caribbean region have dropped by an average of 95% between 1970 and 2020. Decline in wildlife populations acts as an early warning indicator of increasing extinction risk and the potential loss of healthy ecosystems.<sup>44</sup> As such, there is a need to increase investment in biodiversity conservation efforts. Besides, the global

<sup>41</sup> IPBES, "2019 Global Assessment Report on Biodiversity and Ecosystem Services", (2019), at: [https://files.ipbes.net/ipbes-web-prod-public-files/inline/files/ipbes\\_global\\_assessment\\_report\\_summary\\_for\\_policymakers.pdf](https://files.ipbes.net/ipbes-web-prod-public-files/inline/files/ipbes_global_assessment_report_summary_for_policymakers.pdf)

<sup>42</sup> WHO, "Biodiversity", at: <https://www.who.int/news-room/fact-sheets/detail/biodiversity>

<sup>43</sup> World Economic Forum, "How biodiversity conservation can unlock opportunities for Latin America and the Caribbean", (2023) at: <https://www.weforum.org/stories/2023/06/biodiversity-conservation-latin-america-caribbean/>

<sup>44</sup> WWF, "Living Planet Report 2024 Highlights a Planet in Peril with an Alarming 73% Decline Wildlife Populations", (2024), at: <https://www.wwf.org.pe/en/?391454/Living-Planet-Report-2024>

food system is one of the key drivers of biodiversity loss.<sup>45</sup> However, sustainable agricultural practices like agroforestry enable agrifood systems to support biodiversity, store carbon, and regulate watersheds.<sup>46</sup>

Conventional port infrastructure often disrupts coastal and marine ecosystems by generating waste, air and water pollution, and contributing to habitat loss that threatens biodiversity and marine ecosystem.<sup>47</sup> Expenditures of implementing renewable energy systems, alternative fuels, stormwater management and waste management in port infrastructure can reduce emissions, limit water pollution, and protect marine habitats, making port operations more environmentally sustainable.<sup>48</sup> However, we consider the waste-to-energy projects as a part of the port infrastructure expenditures to be an interim solution given their reliance on waste inputs from landfills and their high carbon emissions intensity. The waste-to-energy projects may also divert materials that could otherwise be recycled, shifting focus from circular economy principles that prioritize minimizing waste.

Investments related to conservation and restoration of biodiversity and ecosystems, are expected to contribute to safeguarding ecological resources and biodiversity. Investments in aquaculture and agriculture will be supported by certifications, which generally address soil health, minimizing chemical inputs, efficient resource use, and emissions intensity, however, not all of them do so comprehensively.

Nevertheless, these investments are still collectively expected to strongly support the agriculture and marine production, conserve land and marine ecosystems of the borrower countries.

Climate Adaptation and Mitigation



We have assessed the Sustainability Contribution of the Climate Adaptation and Mitigation category as **Strong**.

Expenditures under this category include the financing of climate adaptation projects that reduce the vulnerability of human and natural systems to climate change and climate-related risks. The projects aim to do so by building resilience or strengthening adaptation to deal with the effects of climate-aggravated floods, droughts, landslides, earthquakes, tsunamis and wildfires. All climate-adaptation-related expenditures will be accompanied by a vulnerability assessment and adaptation plan, wherever applicable. In addition, conservation activities will have a sustainable management plan. Overall, expenditures under this category are expected to substantially contribute to climate change adaptation and mitigation efforts in Latin American and Caribbean countries.

Category Expenditures

Expenditure	Description
Climate adaptation for grid infrastructure	<ul style="list-style-type: none"> <li>▶ Projects that improve resiliency in electrical systems.</li> <li>▶ Excludes transmission lines directly connected to fossil fuel power.</li> </ul>

<sup>45</sup> UNEP, "Climate Risks in The Agriculture Sector, (2023), at: <https://www.unepfi.org/wordpress/wp-content/uploads/2023/03/Agriculture-Sector-Risks-Briefing.pdf>

<sup>46</sup> FAO, "The State of Food and Agriculture 2023", at: <https://openknowledge.fao.org/items/1516eb79-8b43-400e-b3cb-130fd70853b0>

<sup>47</sup> Giovanni Satta. (2025), "Sustainable infrastructure & NbS: Green & Smart Ports", at: <https://unece.org/sites/default/files/2025-05/Sustainable%20infrastructure>

<sup>48</sup> Alamoush AS., Ballini F., Ölçer Al., (2021), "Revisiting port sustainability as a foundation for the implementation of the United Nations Sustainable Development Goals (UN SDGs)", (2021), at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC8574933/>

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Vulnerability assessments and recovery planning	▶ Programmes supporting vulnerability assessments for areas damaged or at risk of damage by natural disasters.
Climate adaptation or resilience measures related to ecosystem conservation and restoration	<ul style="list-style-type: none"> <li>▶ Climate adaptation and resilience measures, such as drought-resistant seeds, nutrient cycling, ecotone levees, floodplain restoration, stormwater drainage and water storage with watershed restoration or conservation.</li> <li>▶ Genetically modified seeds will be excluded from financing under the Framework.</li> </ul>
Improvement of monitoring, forecasting and alert capacities for natural disasters	▶ Projects include early-warning systems for natural disasters and atmospheric forecasting systems to predict timelines and paths of hurricanes.
Shoreline stabilization and coastal flooding control measures	▶ Projects include the development of offshore breakwater, groynes and headlands to coastal regions to prevent flooding.
Conservation and restoration initiatives	<ul style="list-style-type: none"> <li>▶ Conservation or restoration of mangroves and wetlands to reduce flooding, and soil and water salination.</li> <li>▶ Conservation or restoration of coral reefs to reduce storms surges and flooding.</li> <li>▶ Sustainable management plans will be in place for conservation and restoration activities, which will be certified to FSC or PEFC standard.</li> <li>▶ For conservation projects, the use of agrochemicals (herbicides or insecticides) and hunting, trapping, poisoning and culling of vertebrate animals considered as pests will not be financed to control or eradicate invasive plants or insects. The conservation efforts will not take place in habitats that are particularly vulnerable to biodiversity loss, of high conservation value or located in ecologically sensitive regions and all restoration and conservation initiatives will use tree or plant species that are well adapted to the site conditions.</li> </ul>
Fire management programmes	<ul style="list-style-type: none"> <li>▶ Fire management programmes that fund management and interventions to directly reduce fire threats associated with climatic events.</li> <li>▶ Financing will be limited to wildfire or bushfire management programmes in native areas.</li> </ul>

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#### Additional details

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- ▶ All non-infrastructure climate change adaptation projects, such as atmospheric forecasting systems, will be accompanied by a climate risk assessment. In addition, all infrastructural climate change adaptation projects, such as the development of offshore breakwater, financed
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under this category must complete a climate risk assessment to identify potential risks and develop an adaptation plan to cover areas prone to climate risks.

- ▶ All climate change adaptation projects are subject to regular monitoring over their lifespan.

*Analytical Commentary*

Climate change adaptation is vital to reduce human and natural systems' vulnerability to worsening hazards, such as wildfires, floods and hurricanes.<sup>49</sup> As catastrophic climate impacts are increasing in frequency and extremity, more efforts in adaptation measures are critical in limiting future costs.<sup>50</sup> According to the UN, developing countries need an average of USD 387 billion in annual climate adaptation finance by 2030 (from 2021), while least developed countries and small island developing states need an average of USD 41 billion in annual finance.<sup>51</sup> While international public finance flows for climate adaptation have increased since 2022, there is still a large finance gap for climate adaptation.<sup>52</sup>

Vulnerability assessments for all financed climate adaptation projects, coupled with adaptation plans for infrastructure projects ensure that these investments effectively address physical climate risks. Investments in adaptation measures are expected to strengthen the resilience of climate-sensitive assets and contribute to the overall resilience of borrower countries against physical climate risks, such as flooding and sea-level rise. Additionally, investments in nature-based solutions, such as conservation of wetlands and coral reefs, are supported by sustainable management plans and therefore enhance climate adaptation by reducing flood risks, improving water management and boosting ecosystem resilience. The IDB and the intermediary financial institutions will ensure that the financed activities do not support assets that have an adverse impact on other environmental objectives and therefore avoid significant environmental harm from the targeted adaptation goals.

Overall, expenditures in this category are expected to strongly contribute to strengthening financed countries' resilience and adaptability to climate change.

Clean Transportation



We have assessed the Sustainability Contribution of the Clean Transportation category as **Significant**.

Investments in zero emission and low carbon passenger and freight vehicles and supporting infrastructure are critical to reducing emissions in the transportation sector in Latin America and the Caribbean.

Category Expenditures

Expenditure	Description
Electric vehicles, hybrid vehicles and	<ul style="list-style-type: none"> <li>▶ Low carbon public transport with direct emissions below 50 gCO<sub>2</sub>e/pkm.</li> <li>▶ Electric vehicles and hybrid vehicles with direct emissions below 50 gCO<sub>2</sub>e/v-km.</li> </ul>

<sup>49</sup> WWF, "Is climate change increasing the risk of disasters?", (2025), at: <https://www.worldwildlife.org/stories/is-climate-change-increasing-the-risk-of-disasters>

<sup>50</sup> UNEP, "Adaptation Gap Report 2024", at: <https://www.unep.org/cep/news/blogpost/adaptation-gap-report-2024>

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

public low carbon transport systems	<ul style="list-style-type: none"> <li>▶ All eligible expenditures will use the World Harmonised Light Vehicle Test Procedure (WLTP) to identify credible assets on a best-effort basis.</li> </ul>
Freight rail	<ul style="list-style-type: none"> <li>▶ Freight rail with direct emissions below 25 gCO<sub>2</sub>e/tkm.</li> <li>▶ Investments will exclude: i) freights rail where the primary purpose is transporting fossil fuel freight; and ii) rail lines and operations where fossil fuels account for more than 50% of transported freight in mass.</li> </ul>
Clean and active transportation infrastructure	<ul style="list-style-type: none"> <li>▶ Transportation infrastructure that supports the above clean transportation activities, such as charging stations; new, extended, renovated rail lines, walkways and bike paths.</li> <li>▶ Parking facilities are excluded from financing.</li> </ul>

#### *Analytical Commentary*

The transport sector is responsible for 37% of global CO<sub>2</sub> emissions, with road transport accounting for 74% of transport emissions in 2022.<sup>53,54</sup> Achieving net zero emissions by 2050 in the transport sector will require scaling up the electrification of vehicles, a pivotal step towards decarbonizing transport sector. In 2024, the transport sector in Latin America and the Caribbean was responsible for approximately 38% of the region's total GHG emissions, making it the largest emitting sector.<sup>55</sup> In this context, the establishment of emissions targets, replacing of high-emission vehicles and expanding of charging infrastructure are important measures for Latin American and Caribbean countries to meet long-term decarbonization goals.<sup>56</sup>

Investments under this category include low carbon public transport systems, electric and hybrid vehicles with zero or low direct emissions, electric vehicle charging infrastructure, zero- or low-emission rail infrastructure, freight rail with low direct emissions and active transport infrastructure. Investments in hybrid and low carbon vehicles may still rely on fossil fuels and thus zero-emission alternatives would be a more effective solution in reducing transportation-related emissions. All eligible investments in low-carbon transport systems will use the WLTP testing protocol to identify credible assets, which replicates realistic driving conditions and yields more accurate emissions results compared to other procedures. Overall, the expenditures under this category are expected to significantly contribute to the reduction of GHG emissions and enable long-term transitioning to sustainable transport.

#### Sustainable Water and Wastewater Management



Strong

We have assessed the Sustainability Contribution of the Sustainable Water and Wastewater Management category as **Strong**.

<sup>53</sup> IEA, "Transport", (2023), at: <https://www.iea.org/energy-system/transport>

<sup>54</sup> UN Environment Programme Finance Initiative, "Climate Risks in the Transportation Sector", (2024), at: <https://www.unepfi.org/wordpress/wp-content/uploads/2024/05/Climate-Risks-in-the-Transportation-Sector-1.pdf>

<sup>55</sup> UNDP, "Low-emission transport to achieve the Paris Agreement in Latin America and the Caribbean", (2025), at: <https://www.undp.org/latin-america/publications/low-emission-transport-achieve-paris-agreement-latin-america-and-caribbean>

<sup>56</sup> IDB, "The Benefits and Costs of Reaching Net Zero Emissions in Latin America and the Caribbean", (2023), at: <https://publications.iadb.org/en/benefits-and-costs-reaching-net-zero-emissions-latin-america-and-caribbean>. Note that, for some of the analysis in this SPO regarding the expected regional impact of financed activities, we have relied on research published on the Bank's website, among numerous other sources. As a development finance institution, the Bank has commissioned or conducted many relevant studies, often in collaboration with other credible, internationally recognized organizations. We regard such research as independent and reliable.



The IDB intends to finance infrastructure that improves water use efficiency water supply; sewerage systems; stormwater drainage systems; and sewerage wastewater treatment infrastructure. All projects have in place water leakage detection processes for wastewater and sewerage systems. These investments are expected to strongly contribute to reducing water loss and promoting sustainable water resource management.

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#### Category Expenditures

Expenditure	Description
Water use efficiency infrastructure	<ul style="list-style-type: none"> <li>▶ Investments to ensure sustainable water use, including water supply optimization in agricultural production, manufacturing, and construction and building.</li> <li>▶ Examples of projects financed include: i) re-use of wastewater treated in wastewater treatment plants of municipal sewerage systems; ii) rainwater catchment harvesting; and iii) water loss control.</li> <li>▶ Measures to control water loss will be implemented for all financed projects.</li> <li>▶ Water efficiency systems, equipment and measures will not be applied to or used in fossil fuel and hard-to-abate sectors, including fracking and mining operations.</li> <li>▶ Agricultural production excludes industrial-scale livestock production.</li> </ul>
Sewerage systems	<ul style="list-style-type: none"> <li>▶ Infrastructure supporting operational efficiency of sewerage systems.</li> <li>▶ Projects will have management plan in place to monitor the discharge into receiving waters, and generated sewage sludge will be further treated.</li> </ul>
Sanitation services	<ul style="list-style-type: none"> <li>▶ Infrastructure dedicated to sanitation services, including sanitary and sewerage wastewater treatment services.</li> <li>▶ Projects related to stormwater runoff systems will have a flood-risk management plan in place.</li> </ul>

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#### Additional details

- ▶ Treatment of wastewater from fossil fuel operations and industrial-scale livestock, as well as desalination facilities will not be financed under this category.
- ▶ Sewerage systems will be limited to systems that feed into the treatment services meeting the criteria in the Framework.

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#### Analytical Commentary

Globally, 20-50% of distributed water is lost, largely due to leakages and deteriorating infrastructure,<sup>57</sup> making leak reduction essential for more efficient water resource management. Furthermore, around one-quarter of the world's population faces extremely high levels of water stress, using more than 80% of their annual renewable freshwater supply.<sup>58</sup> This challenge is evident in Latin America, where climate change has intensified water stress through extreme droughts, declining availability and recurrent weather events.<sup>59</sup>

<sup>57</sup> AbueEtayef H. et al., (2024), "Addressing non-revenue water as a global problem and its interlinkages with sustainable development goals", The International Water Association, at: <https://iwaponline.com/wpt/article/18/12/3175/98008/Addressing-non-revenue-water-as-a-global-problem>

<sup>58</sup> UNESCO, "Imminent risk of a global water crisis, warns the UN World Water Development Report 2023", (2023), at: <https://www.unesco.org/en/articles/imminent-risk-global-water-crisis-warns-un-world-water-development-report-2023>

<sup>59</sup> IDRICA, "Five water challenges in Latin America", (2024), at: <https://www.idrica.com/blog/five-water-challenges-in-latin-america/#>

Investments under this category include water use efficiency, water supply; sewerage systems; stormwater drainage systems; and sewerage wastewater treatment infrastructure. Wastewater treatment facilities and the sewerage systems will have water leakage detection assessment in place. These measures are expected to reduce water losses, increase efficiency and reduce waste. In addition, financed sanitation projects will have in place a flood-risk management plan, which strengthens their resilience and reliability. These expenditures are expected to strongly contribute to water use efficiency and disposal of wastewater across Latin America and the Caribbean.

Pollution Prevention and Control



We have assessed the Sustainability Contribution of the Pollution Prevention and Control category as **Strong**.

The Bank intends to finance or refinance expenditures related to infrastructure dedicated to waste prevention, reduction and recycling; flood mitigation and urban drainage to reduce pollution runoff; and air quality monitoring systems for GHG and pollutant tracking. Investments in these waste management activities are expected to strongly contribute to the development of a circular economy and prevent pollution.

Category Expenditures

Expenditure	Description
Solid waste recycling and recovery	<ul style="list-style-type: none"> <li>▶ Infrastructure dedicated to solid waste reuse, recycling or recovery.</li> <li>▶ Recycling e-waste from electrical and electronic equipment will be accompanied by robust waste management processes to mitigate associated risks.</li> <li>▶ Plastic production activities must: i) be limited to those with inputs that are at least 90% recycled, renewable or bio-based, and where biogenic input will be sustainably sourced; and ii) single-use plastic outputs are excluded.</li> <li>▶ In cases where chemical recycling of plastics will be financed: i) the output will have life cycle emissions lower than that of virgin plastic; ii) the process will be accompanied by robust waste management procedures to mitigate risks of the resulting hazardous waste; and iii) plastic-to-fuel conversion will be excluded.</li> </ul>
Flood mitigation measures	<ul style="list-style-type: none"> <li>▶ Expenditures will include measures that prevent plastic, solid waste or pollutant runoff.</li> <li>▶ Flood mitigation measures will incorporate a vulnerability assessment and an adaptation plan.</li> <li>▶ A monitoring process will support these measures over the lifespan of the activity.</li> </ul>
Urban drainage systems	<ul style="list-style-type: none"> <li>▶ Urban drainage systems that prevent plastic, solid waste and pollutant runoff into freshwater and marine habitats.</li> <li>▶ There will be a flood-risk management plan in place for projects related to stormwater sewerage.</li> </ul>

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Air quality monitoring systems ▶ Air quality monitoring systems will monitor GHG emissions and other air pollutants, such as NOx, SOx and particulate matter, and will not be applied to fossil fuel industries and technologies that inherently rely on fossil fuels.

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#### *Analytical Commentary*

Investments in waste management systems and recycling are critical in curbing GHG emissions and transitioning to a circular economy. An estimated 2.1 billion tonnes of municipal solid waste is created each year, and it is projected to increase by 56% to 3.8 billion tonnes by 2050 if further action is not taken. Better waste management can mitigate 15-25% of global GHG emissions, highlighting the significance of recycling and other waste management measures.<sup>60</sup> In Latin American and Caribbean countries, waste management remains a key sustainability challenge, with landfills accounting for an estimated 13.5% of global methane emissions in 2023.<sup>61</sup> Furthermore, effective water drainage systems and flood mitigation play a crucial role in urban waste management and climate resilience. Rapid urbanization in much of Latin America and the Caribbean has resulted in substantial infrastructure and development deficits to drainage and flood mitigation. Combined with increased intensity and frequency of extreme rainfall events, regional flood risk is expected to increase by 70% by 2050 if no action is taken.<sup>62,63</sup>

Investments in waste management and recycling projects will be supported by robust waste management systems and the Bank adopts robust considerations related to plastic and chemical recycling in its criteria to mitigate risks associated with hazardous material byproducts. The IDB will ensure there is flood risk mitigation assessment in place for urban drainage systems. Furthermore, flood risk mitigation measures will be accompanied with vulnerability assessments, adaptation plans and monitoring processes over the lifetime of the activity.

Overall, expenditures under this category are expected to strongly contribute to preventing pollution and advancing circularity in the IDB's borrower countries.

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#### Access to Essential Services – Education



We have assessed the Sustainability Contribution of the Access to Essential Services – Education category as **Strong**.

Expenditures under this category are related to improving access to public education and expanding quality public education, including nursery school and basic, secondary and higher education, with a focus on rural areas. The financed public education facilities will be provided within the IDB's borrower countries that, based on a median of their individual Human Development Index (HDI)<sup>64</sup> scores, are considered to face unmet educational needs. Such public educational facilities and services will be offered free of charge or at subsidized rates to the target populations such that affordability is guaranteed. For certain financed skill development programmes and higher education scholarships, some costs may still exist. The financed activities are expected to

<sup>60</sup> United Nations Environment Programme, "Global Waste Management Outlook 2024", (2024), at: <https://wedocs.unep.org/handle/20.500.11822/44939>

<sup>62</sup> UNDRR (2023), "Special Report on Urbanization and Disaster Risk in Latin America and the Caribbean", at: <https://www.undrr.org/media/87281/download?startDownload=20250729>

<sup>63</sup> IDB Impacto (2025), "Bridging the Urban Resilience Gap in Latin America and the Caribbean", at: <https://blogs.iadb.org/efectividad-desarrollo/en/bridging-the-urban-resilience-gap-in-latin-america-and-the-caribbean>.

<sup>64</sup> UNDP, Human Development Index, at: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

strongly contribute to expanding inclusive and equitable learning opportunities in Latin America and the Caribbean.

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#### Category Expenditures

Expenditure	Description
Public education	<ul style="list-style-type: none"> <li>▶ Programmes aimed at improving the quality of and access to nursery school and basic, secondary and higher education.</li> <li>▶ Improvement of rural area access to education.</li> <li>▶ Skills development programmes for teachers and public service employees.</li> <li>▶ Construction, expansion and improvement of educational infrastructure, including public schools, universities and other public education services.</li> <li>▶ Expenditures related to education projects must be limited to public facilities and services. Such public education facilities and services will be available to the Vulnerable and Underserved Populations free of cost or at affordable rates through mechanisms such as subsidies.</li> </ul>

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#### Additional details

- ▶ All educational facilities and services will be offered in the IDB's borrower countries.
- ▶ The Framework defines the Vulnerable and Underserved Populations as follows:
  - ▶ Vulnerable Populations:
    - ▶ 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 include Indigenous peoples or people who belong to historically marginalized groups based on race, colour or ethnicity, including such people living in urban settings.
    - ▶ Women-headed households.
  - ▶ Underserved Populations:
    - ▶ Marginalized populations or populations with limited access to essential services and basic infrastructure, including:
      - ▶ Poor<sup>65</sup> and low-income populations.<sup>66</sup>
      - ▶ People living in rural areas. Such people may also include landless individuals and single-headed households living in rural areas. The IDB will rely on governments' definitions of rural areas.
      - ▶ Refugees, internally displaced persons and other displaced people who may lack protection under national or international law.
      - ▶ Natural-resource-dependent communities. This subset of the target population refers to people who 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 impact and economic shocks, both of which can threaten their livelihoods.

<sup>65</sup> Defined as populations living below the respective national poverty lines in the IDB's borrowing countries.

<sup>66</sup> Defined as populations living below the respective national median incomes in the IDB's borrowing countries, but above the respective national poverty lines.

- ▶ Populations living in areas highly exposed to crime and violence. The IDB will refer to government or local authorities' published databases to identify such areas.

### *Analytical Commentary*

Public education investment in Latin American and the Caribbean countries has declined since the onset of the Covid-19 pandemic, with the sector's share of total government expenditure dropping from 14.1% in 2019 to 12.9% in 2022 across the region.<sup>67</sup> Learning losses, especially in foundational literacy and numeracy, have been severe across the region. In the most recent Programme for International Student Assessment results from 2022, only one-third of students in participating countries reached minimum proficiency in mathematics, and overall performance showed stagnation or decline compared to 2018.<sup>68</sup> This includes approximately 80% of sixth grade students being unable to comprehend basic text. To address these challenges, countries across Latin America and the Caribbean have implemented measures such as expanded instructional time and curriculum prioritization to accelerate recovery. Looking ahead, the region aims to achieve universal primary and secondary education by 2030, supported by investment, systematic transformation and stronger governance of educational systems.<sup>69</sup>

The IDB will finance initiatives in the borrower countries to enhance the quality and accessibility of public education across all levels for the target populations. While certain aspects of the definitions of the target populations, such as people facing economic challenges and people living in urban settings, lack specificity, the educational facilities will be financed in the IDB's borrower countries, many of which score relatively low on UNDP's Human Development Index (HDI),<sup>70</sup> indicating that there is a need for further development and improved access to education. With respect to affordability, the Framework's criteria ensure that financed public services will be free or subsidized such that affordability is guaranteed. For certain financed skill development programmes and higher education scholarships, some costs may still exist. The expenditures under this category are expected to strongly contribute to improving access to education in the region and support populations with unmet educational needs.

### Access to Essential Services - Healthcare



We have assessed the Sustainability Contribution of the Access to Essential Services - Healthcare category as **Strong**.

The IDB intends to finance and refinance healthcare-related expenditures, including programmes supporting public hospitals, clinics, laboratories and medical centres, as well as the procurement of medical equipment supplies for both primary and specialized care. The financed healthcare facilities and services will be provided to low-income populations in the IDB's borrower countries. Financed facilities and services will be offered free of charge or at subsidized rates to the target populations such that affordability is guaranteed. Overall, investments under this category are

<sup>67</sup> UNESCO (2025), "Investing in education: An urgent call for Latin America and the Caribbean", at: <https://www.unesco.org/sdg4education2030/en/articles/investing-education-urgent-call-latin-america-and-caribbean>

<sup>68</sup> UNESCO (2024), "The urgency of educational recovery in Latin America and the Caribbean-Education 2030", at: [https://unesdoc.unesco.org/ark:/48223/pf0000388399\\_eng](https://unesdoc.unesco.org/ark:/48223/pf0000388399_eng)

<sup>69</sup> Ibid.

<sup>70</sup> UNDP, Human Development Index, at: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

expected to strongly contribute to improving access to equitable and quality healthcare across the region.

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#### Category Expenditures

Expenditure	Description
Provision of public healthcare services	<ul style="list-style-type: none"> <li>▶ Programmes supporting public medical centres, laboratories, hospitals, clinics, health equipment and supplies for primary and specialized healthcare.</li> <li>▶ Purchase of emergency medical equipment and personal protective equipment (PPE) for pandemics.</li> <li>▶ Programmes that help reduce maternal and infant mortality and non-communicable diseases.</li> <li>▶ Expenditures related to healthcare projects must be limited to public facilities and services to support borrower countries' progress towards universal healthcare coverage.</li> <li>▶ Such investments must be targeted at improving access to healthcare facilities and services to the Vulnerable and Underserved Populations.<sup>71</sup> In addition, the facilities and services will be provided either free of cost or at a subsidized cost to the target populations such that affordability is guaranteed, up to and including the waiving of co-pays as necessary.<sup>72</sup></li> </ul>

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#### Analytical Commentary

While public health spending in Latin America and the Caribbean has increased significantly since 2000, as of 2021, the average spending was just 4.5% of GDP, well below the target of 6% set by the Pan American Health Organization and the World Health Organization to meet health-related SDGs.<sup>73</sup> The healthcare systems in many countries in Latin America and the Caribbean face structural challenges, such as limited institutional capacity, insufficient funding, segmentation of patients according to the ability to pay and high out-of-pocket costs, hindering access and coverage. Strategies to address such healthcare gaps in the region have included subsidized health insurance, pharmaceutical support for chronic diseases and community outreach through skilled healthcare workers.<sup>74</sup> Continued investment in pooled financing, service integration and decentralized delivery models will be critical to advancing universal health coverage across the region.<sup>75</sup>

Access to quality healthcare in Latin America and the Caribbean continues to be constrained by infrastructure deficits and unequal service distribution particularly among low-income and rural populations. Recent regional data show that around 9.3% of the population, nearly 295 million people, have unmet healthcare needs, with 13.1% citing lack of resources or infrastructure and 10.8% an inability to pay as one of the main barriers to seeking care.<sup>76</sup>

<sup>71</sup> As defined under the Access to Essential Services – Education category.

<sup>72</sup> Relevant terms to ensure affordability of healthcare facilities and services will be included in the terms and conditions of the agreements with the borrowing country or public entity.

<sup>73</sup> PAHO (2024) "ECLAC and PAHO call for prioritizing investment in health to reduce inequality and achieve the SDGs in Latin America and the Caribbean", at: <https://www.paho.org/en/news/21-10-2024-eclac-and-paho-call-prioritizing-investment-health-reduce-inequality-and-achieve>

<sup>74</sup> 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: [The urgency of investing in health systems in Latin America and the Caribbean to reduce inequality and achieve the Sustainable Development Goals | Economic Commission for Latin America and the Caribbean](https://www.eclac.org/en/publications-and-articles/2024/09/24/the-urgency-of-investing-in-health-systems-in-latin-america-and-the-caribbean-to-reduce-inequality-and-achieve-the-sustainable-development-goals)

<sup>75</sup> NIH (2022), "Has Latin America achieved universal health coverage yet? Lessons from four countries", at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC8777418/>

<sup>76</sup> PAHO (2024) "The urgency of investing in health systems in Latin America and the Caribbean to reduce inequality and achieve the Sustainable Development Goals", at: <https://www.paho.org/sites/default/files/2024-10/2400869esespecialhealthreport-web.pdf>

The IDB will invest in public healthcare infrastructure and programmes aimed at reducing maternal and infant mortality, addressing non-communicable diseases and supporting pandemic response at various levels of the respective healthcare system. The IDB will ensure that the healthcare facilities and services will be provided to the target populations within the IDB’s borrower countries, the majority of which still have opportunities for development in terms of the quality and accessibility of its healthcare infrastructure and services according to the WHO’s UHC service coverage index. Further, all individuals targeted by the financed facilities will qualify as low-income based on local definitions and such facilities will be located in the IDB’s borrower countries. Such healthcare facilities and services will be offered free of charge or at subsidized rates to the target populations such that affordability is guaranteed. The expenditures under this category are expected to strongly contribute to improving access to healthcare in the region and support populations with unmet needs.

Access to Basic Infrastructure – Water and Sanitation



We have assessed the Sustainability Contribution of the Access to Basic Infrastructure – Water and Sanitation category as **Strong**.

Eligible activities will include both new infrastructure and upgrades that target improved, affordable access to clean water and sanitation, as well as reliable stormwater and wastewater management for the Underserved Populations. Financed activities will also include educational programmes on environmental and sanitation best practices, and all water and sanitation services will have ensured affordability for all. The expenditures financed under this category are expected to contribute strongly to enhancing access to water and sanitation infrastructure for the target populations.

Category Expenditures

Expenditure	Description
Sustainable water management projects	<ul style="list-style-type: none"> <li>▶ Water management, storage, production, treatment plants and distribution facilities to expand access to potable water.</li> <li>▶ Financed desalination projects must have an appropriate waste management plan for brine disposal and must not have dedicated on-site fossil fuel power.</li> <li>▶ Infrastructure to expand access to sanitation services, including sanitary and stormwater sewerage, and sewage wastewater treatment services.</li> <li>▶ Improvements to sanitary conditions and pollution reduction in urban waterways and rivers.</li> <li>▶ Systems or infrastructure financed under this category will not apply to fossil fuel or hard-to-abate-sectors, nor will they rely on fossil fuel power. Additionally, these will be primarily powered by renewables.</li> <li>▶ All expenditures will target the Vulnerable and Underserved Populations.<sup>77</sup></li> <li>▶ Services will be provided via public utility companies, capping costs at 5% of household income to ensure affordability to the end users.</li> </ul>

<sup>77</sup> As defined under the Access to Essential Services – Education category.

Provision of sustainable water management education programmes	<ul style="list-style-type: none"> <li>▶ Comprehensive environmental and sanitation education programmes for the Vulnerable and Underserved Populations, with all such programmes offered free of cost.</li> </ul>
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### Analytical Commentary

Access to clean water and sanitation is consistently a critical challenge across Latin America and the Caribbean and is linked to significant implications for health, equity and economic development. According to an OECD report on 10 Latin American countries,<sup>78</sup> approximately one-quarter of the studied populations lacked access to clean drinking water in 2020, while two-thirds lacked access to safely managed sanitation infrastructure, with a disproportionate impact on rural areas.<sup>79</sup> In 2024, finance ministers from countries across Latin America and the Caribbean pledged USD 372 billion over five years to address the region's growing water and sanitation needs, necessary to achieve the targets outlined in UN SDG 6.<sup>80</sup>

Expenditures under this category include several activities related to the expansion and improvement of clean water, sanitation, sewage and wastewater treatment, and stormwater infrastructure that will be provided via public utility companies with the aim of ensuring affordability to the Underserved Populations across Latin America and the Caribbean, while reducing barriers to access this basic infrastructure. While the established target populations cover a range of groups, all projects will target low income individuals and those lacking access to basic access to water and sanitation. The expenditures under this category are expected to strongly contribute to improving access to affordable basic water and sanitation infrastructure, along with related education, for the target populations in the IDB's borrower countries.

## Access to Basic Infrastructure – Energy



We have assessed the Sustainability Contribution of the Access to Basic Infrastructure – Energy category as **Strong**.

Under this category, the IDB intends to finance the expansion of infrastructure to facilitate access to electricity in areas with no access or substantially inadequate access to electricity. Such expenditures are expected to strongly contribute to improving electricity access in these regions.

### Category Expenditures

Expenditure	Description
Electricity infrastructure	<ul style="list-style-type: none"> <li>▶ Investments to enable access to electricity grid infrastructure in marginalized and rural areas, based on locally applicable government definitions within borrower countries.</li> <li>▶ Investments under this category will be limited to areas with no access or substantially inadequate access to electricity. Areas with substantially inadequate access to electricity will be those where access is not stable due</li> </ul>

<sup>78</sup> Namely: Argentina, Brazil, Chile, Colombia, Costa Rica, Honduras, Mexico, Paraguay, Peru, and Uruguay.

<sup>79</sup> OECD (2025), "The Circular Water Economy in Latin America", OECD Urban Studies, at: [https://www.oecd.org/en/publications/the-circular-water-economy-in-latin-america\\_a0508572-en.html](https://www.oecd.org/en/publications/the-circular-water-economy-in-latin-america_a0508572-en.html)

<sup>80</sup> UNICEF (2025), "Finance Ministers from Latin America and the Caribbean Target \$372 Billion Investment in Water and Sanitation", at: <https://www.unicef.org/lac/en/press-releases/finance-ministers-latin-america-target-372-billion-investment-in-water-sanitation>

to repeated power cuts, technical inefficiency, unsanctioned connections to the grid and underinvestment.

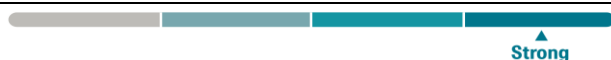
- ▶ Financing will exclude transmission grids connected to dedicated fossil fuel power plants and power generation plants.

*Analytical Commentary*

As of 2024, approximately 16 million people across Latin America and the Caribbean lacked access to electricity, with a disproportionate representation from rural areas.<sup>81,82</sup> Challenges also persist for populations with existing but unreliable access to electricity, including poor service quality, frequent and prolonged outages above OECD averages, and high service losses averaging approximately 15% regionwide due to technical inefficiency, illegal connections and underinvestment.<sup>83</sup>

The IDB will finance energy infrastructure projects in marginalized and rural areas that have no access or substantially inadequate access to electricity. These investments are expected to strongly contribute to expanding access to electricity in such underserved areas.

Access to Basic Infrastructure – Transport



We have assessed the Sustainability Contribution of the Access to Basic Infrastructure – Transport category as **Strong**.

The Bank intends to finance the development, upgrade and maintenance of road transport infrastructure to improve low-income areas' connectivity to essential services and to support the economic development of underdeveloped rural or Indigenous communities that lack connectivity by improving access to economic centres. Such expenditures are expected to strongly contribute to improving access to road transportation networks in the target regions.

Category Expenditures

Expenditure	Description
Road transportation infrastructure	<ul style="list-style-type: none"> <li>▶ Improvements to connectivity for low-income rural areas that lack accessibility to essential services.</li> <li>▶ Support for economic development in disadvantaged regions by increasing access to economic centres.</li> <li>▶ All projects must be accompanied by an environmental and social impact evaluation at the road corridor level.</li> <li>▶ Financed projects will exclude those related to 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 or lack of pathways, or because they are remotely located or isolated.</li> </ul>

<sup>81</sup> IDB (2024), "Fact Sheet: Energy Transition in Latin America and the Caribbean", at: <https://www.iadb.org/en/news/energy-transition-latin-america-and-caribbean>

<sup>82</sup> ECLAC (2022), "A transformative recovery in Latin America and the Caribbean with basic drinking water and electricity services as key sectors", at: <https://www.cepal.org/en/notes/transformative-recovery-latin-america-and-caribbean-basic-drinking-water-and-electricity>

<sup>83</sup> IEA (2024), "Bottom-up energy transitions: Managing the rise of energy communities in Latin America", at: <https://www.iea.org/commentaries/bottom-up-energy-transitions-managing-the-rise-of-energy-communities-in-latin-america>

*Analytical Commentary*

Existing road infrastructure across Latin America and the Caribbean faces substantial challenges related to its reliability and low density of road coverage. Forty percent of rural populations have no road access and only 188 km of roads exist per 1,000 km<sup>2</sup> of the region, which is significantly below the OECD average.<sup>84</sup> Furthermore, a 2021 study estimates that meeting transportation-related SDGs through 2030 will require investments of USD 738 billion in roads.<sup>85</sup>

The road infrastructure projects financed under the category are aimed at strengthening road transportation networks for low-income rural areas, and underdeveloped rural and Indigenous communities that lack connectivity. These investments are expected to strongly contribute to enhancing access to essential services and economic centres via paved roads.

Access to Basic Infrastructure - Housing



We have assessed the Sustainability Contribution of the Access to Basic Infrastructure - Housing category as **Significant**.

The IDB will finance both the development of new and the improvement of existing affordable rental housing units and affordable mortgage loans via government schemes. The Framework targets a range of vulnerable populations but ensures that all target groups are low-income. The affordability mechanisms for both affordable rentals and mortgages will vary per the regulatory or programme requirements of the borrower countries but will nonetheless ensure affordability through a combination of concessional interest rates and/or subsidies for both rents and home purchase costs and ongoing home maintenance and improvements. Given the wide range of potential financed programmes across the IDB's borrower countries under the category, the degrees of affordability for the target populations are not always certain, but nonetheless, such expenditures are expected to make a significant contribution to the provision of affordable housing for the target populations.

Category Expenditures

Expenditure	Description
Construction and renovation of affordable housing	<ul style="list-style-type: none"> <li>▶ Financing to support the building, refurbishment or improvement of affordable housing, including those related to both rental units and affordable home ownership programmes</li> <li>▶ The target population for the affordable housing projects will be the Vulnerable and Underserved Populations, and all beneficiaries will qualify as low-income based on local definitions in the borrower countries.</li> <li>▶ Affordability will be ensured through the respective regulations and mechanisms adopted by each borrower country.</li> </ul>

*Analytical Commentary*

According to a 2022 report, 45% of people in Latin America and the Caribbean do not have a decent place to live and instead reside in dwellings that lack basic amenities and reliable structural

<sup>84</sup> CAF (2023) "Roads to development", at: <https://www.caf.com/media/4663673/impacto-caf-roads-full-report.pdf>

<sup>85</sup> IADB (2021). "The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals", at: <https://doi.org/10.18235/0003759>

integrity.<sup>86</sup> In particular, the gap in affordable and decent housing disproportionately affects certain ethnic groups, with more than 57% of Afro-descendants and Indigenous peoples residing in informal urban settlements.<sup>87</sup> Coming out of the 3<sup>rd</sup> Housing Forum 2024, six structural reforms were recommended to address these housing shortfalls, including modernizing regulation, offering inclusive financing, improving housing data and targeting interventions for vulnerable groups.<sup>88</sup>

The IDB establishes a range of target populations, such as people facing economic challenges and people living in urban settings, but ensures that all target groups are low-income, meaning any household without the financial means to purchase and maintain a home without financial assistance. While the affordability mechanisms will vary per the regulatory or programme requirements of the respective borrower countries, they will nonetheless guarantee affordability through a combination of concessional interest rates and subsidies. These will take the form of grants for home purchases, rental subsidies, direct rent payments, interest rate discounts resulting in up to 70% reductions from market rates in certain borrower countries<sup>89</sup>, and grants for improvements to affordable rentals and homes captured under affordable home ownership programmes. While the IDB has in place substantial mechanisms to select affordable rental and home ownership programmes across their borrower countries for financing, certainty around the possible mechanisms and degrees of assurance for affordability across all possible programmes is not present.

The financed affordable housing activities under the category incorporate consideration for local contexts in each of the borrower countries and demonstrate affordability for affordable rentals and home ownership where possible, however, some uncertainty exists around the breadth and scope of affordability mechanisms present across all possible programmes that may be financed. Nonetheless, the financings under the category are expected to make a significant contribution to the housing deficits persisting across the IDB's borrower countries.

Access to Basic Infrastructure – Climate Disaster Recovery



We have assessed the Sustainability Contribution of the Access to Basic Infrastructure – Climate Disaster Recovery category as **Strong**.

Financed projects will focus on the emergency redevelopment of public basic infrastructure and residential and commercial buildings in disaster-impacted areas. Such upgrades are expected to strongly contribute to enhancing access to essential public infrastructure to the populations impacted by climate disasters.

Category Expenditures

Expenditure	Description
Recovery of basic infrastructure	► Redevelopment and reconstruction of public basic infrastructure, including homes, roads and offices that are impacted by climate disasters.

<sup>86</sup> IADB (2022) "Governments and Private Sector Seek to Fix Latin American and Caribbean Housing Shortage", at: <https://www.iadb.org/en/news/governments-and-private-sector-look-to-fix-latin-american-and-caribbean-housing-shortage>

<sup>87</sup> CAF (2023) Affordable housing in Latin America and the Caribbean, at: <https://www.caf.com/en/blog/affordable-housing-in-latin-america-and-the-caribbean>

<sup>88</sup> IADB (2024) "IDB Group Recommends Six Structural Reforms to Address Region's Housing Deficit", at: <https://www.iadb.org/en/news/idb-group-recommends-six-structural-reforms-address-regions-housing-deficit>

<sup>89</sup> Based on current market interest rates as of the date of publication of this report.

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- impacted by climate disasters ▶ Redevelopment and reconstruction of disaster-impacted homes will qualify if they are primarily occupied by the Vulnerable and Underserved Populations.<sup>90</sup>
- ▶ Disaster relief housing projects will also include the provision of basic housing kits for disaster impacted populations as a temporary solution before they move to permanent housing. Basic housing kits will include kits for prefabricated housing and basic building materials that will be offered free of cost to disaster impacted populations.
  - ▶ Resources financed under this category will be disbursed in a manner that prioritizes those who are most in need of assistance following a natural disaster. This prioritization will be verified by disbursement-level audits.
  - ▶ Reconstruction of disaster-impacted buildings will exclude industrial facilities and buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels.
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### *Analytical Commentary*

As one of the most disaster-prone regions in the world, Latin America and the Caribbean face growing challenges related to the management of disaster risks and the economic shocks resulting from disaster impacts. Between 1990 and 2022, the number of natural disasters in the region more than doubled, bringing with it annual damages of USD 9 billion, as of 2022.<sup>91</sup> As a response, development banks have increasingly supported pre-arranged financing for disaster relief, and such financing mechanisms have particularly increased since 2023.<sup>92</sup>

Under the category, the IDB intends to finance disaster recovery activities, including the redevelopment and reconstruction of basic public infrastructure, which will be limited to those located in disaster-impacted areas. Temporary solutions for disaster relief housing will be provided free of cost to disaster impacted populations, with those who are most in need receiving priority disbursement of resources. These expenditures are expected to strongly contribute to enhancing the access to essential public infrastructure and services to populations impacted by climate disasters.

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## Socio-Economic Advancement and Empowerment



We have assessed the Sustainability Contribution of the Socio-Economic Advancement and Empowerment category as **Strong**.

The IDB intends to finance programmes and projects to improve employability, digital and social inclusion for the Vulnerable and Underserved Populations, and access to microfinance and finance for MSMEs. The IDB will ensure that the educational and resettlement support programmes will be offered either free of cost or at subsidized rates while financing to MSMEs will be provided with a combination of concessional interest rates and other preferential loan terms and services. Moreover, financed MSMEs will align with the MSME definitions established by the OECD. We consider investments under this category to strongly contribute to improving equitable participation in the market and the society.

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<sup>90</sup> As defined under the Access to Essential Services – Education category.

<sup>91</sup> World Bank (2025) "Strengthening Disaster Resilience and Response in Latin America and the Caribbean", at: <https://www.worldbank.org/en/results/2025/06/30/-strengthening-disaster-resilience-and-response-in-lac>

<sup>92</sup> Ibid.

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**Category Expenditures**

Expenditure	Description
Projects aimed at improving youth employability, social inclusion, gender equality and subsequent poverty reduction	<ul style="list-style-type: none"> <li>▶ Projects will target providing technical vocational education to youth belonging to the Vulnerable and Underserved Populations<sup>93</sup> free of cost or subsidized to ensure affordability and accessibility. Employment opportunities provided as part of such projects will exclude activities related to oil and gas.</li> </ul>
Programmes supporting cultural education	<ul style="list-style-type: none"> <li>▶ Programmes supporting cultural education will be aimed at promoting social inclusion.</li> <li>▶ These programmes will be either subsidized or available free of cost to the Vulnerable and Underserved Populations to improve accessibility to cultural education among them.</li> </ul>
Resettlement support programmes	<ul style="list-style-type: none"> <li>▶ Construction and operation of counselling centres, rehabilitation centres and related services.</li> <li>▶ Social work programmes will target families from the Vulnerable and Underserved Populations that are forced to resettle due to urban project developments.</li> <li>▶ These programmes will be either subsidized or available free of cost to the target populations to provide accessibility and affordability.</li> </ul>
Skill development programmes, apprenticeships and internships	<ul style="list-style-type: none"> <li>▶ These programmes will be either subsidized or available free of cost to youth from the Vulnerable and Underserved Populations to support closing skill gaps.</li> </ul>
Programmes aimed at improving access to finance and microfinance and financing to minority and women-owned MSMEs	<ul style="list-style-type: none"> <li>▶ Expenditures under these activities will be limited to supporting MSMEs based in the IDB's borrower countries, financing operational improvement measures via intermediaries.</li> <li>▶ MSMEs are defined based on the government definition in the host country, where the project will be located (including one-person businesses identified as MSMEs) or used by the supported financial intermediaries to categorize their loan portfolio according to the size of sub-borrowers. Women- or diversity-owned MSMEs are those where women or another minority owns at least 51% of the enterprise. The host countries are the IDB's borrower countries, all of which are based in the Latin America and the Caribbean region.</li> <li>▶ The IDB will extend funding to first-tier intermediary financial institutions, which in turn will provide funding to second-tier public financial institutions (such as microfinance institutions), which on-lend to MSMEs or SMEs. The IDB will ensure that the intermediary financial institutions have responsible lending practices in place.</li> </ul>

<sup>93</sup> As defined under the Access to Essential Services – Education category.

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<hr/>	<ul style="list-style-type: none"> <li>▶ The IDB's Environmental and Social Policy Framework applies to all financing decisions. Financing to 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.</li> <li>▶ The IDB guarantees affordability to the end beneficiaries via their agreements with intermediaries. All financial intermediaries will offer financial services at a concessional interest rates or free of cost and also provide means to address existing financial barriers such as guarantees to lower collateral requirements and free of charge technical assistance.</li> </ul> <hr/>
<p>Digital inclusion projects</p>	<ul style="list-style-type: none"> <li>▶ Digital inclusion projects will be limited to fixed or mobile broadband infrastructure.</li> <li>▶ Infrastructure will target the Vulnerable and Underserved Populations living in areas with no or substantially inadequate access to fixed or mobile broadband, including areas without 3G or higher mobile broadband.</li> </ul> <hr/>

#### *Analytical Commentary*

Even though MSMEs account for 99% of formal enterprises in Latin American and Caribbean countries, they contribute only 3.2% to 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.<sup>94</sup> Development finance institutions play a crucial role in improving access to finance for MSMEs, including in supporting them to enhance productivity. At the same time, unemployment in the region, particularly among youth, remains a persistent challenge, with the youth employment rate reaching 13.4% in 2023, significantly higher than the adult average. This underscores the importance of programmes that promote employability, social inclusion and entrepreneurship to complement MSMEs development efforts.<sup>95</sup>

With regard to digital inclusion and employability, approximately two-thirds of households in Latin America and the Caribbean have internet access, significantly below the OECD average of 91%, highlighting a digital inclusion gap that directly limits workforce upskilling and economic participation opportunities, especially among young people, and enhancing youth employability is critical to unlocking the region's productive potential and promoting inclusive growth.<sup>96</sup>

Digital inclusion investments under the Framework will support fixed or mobile broadband infrastructure projects that target populations residing in areas with no or substantially inadequate access to fixed or mobile broadband. Such financing is expected to strongly contribute to enhancing access to telecommunication infrastructure for the target populations.

The IDB will also invest in programmes to improve employability, provide resettlement support and cultural education, and enhance skill development. for the Bank's Vulnerable and Underserved Populations. Although the target populations lack direct connection to the proposed educational initiatives, the programmes will be designed to target specific groups that lack access to resources

<sup>94</sup> OECD, "Latin American Economic Outlook 2023", at: <https://www.oecd.org/en/publications/latin-american-economic-outlook-2023-8c93ff6e-en.html>

<sup>95</sup> ILO "Global Employment Trends for Youth 2024-The Americas", at: <https://www.ilo.org/sites/default/files/2024-08/The%20Americas%20GET%20Youth%20Brief%202024.pdf>

<sup>96</sup> IDB, "Youth employment: two ideas that work", (2012), at: <https://www.iadb.org/en/news/youth-employment-two-ideas-work>

or skills. The IDB will ensure that these programmes will be offered either free of charge or at subsidized rates to the target populations. Overall, the financed employability and resettlement programmes, through their targeting and affordability mechanisms, are expected to contribute significantly to enhancing access to employability, and digital and social inclusion for the target populations.

Regarding programmes aimed at financing MSMEs based in Latin America and the Caribbean and minority and women-owned MSMEs, the IDB will ensure that the intermediary financial institutions have responsible lending practices in place. The Bank will ensure the affordability of such financing through mechanisms that include interest rate concessions and flexible repayment terms where the specific degree of interest rate concessions are established at the local lender level based on the need of each recipient. Additionally, financed MSMEs will align with the MSME definitions established by the OECD, although the particular definitions may vary within each borrower country. Such investments are expected to make a strong contribution to improving access to finance.

Overall, we consider expenditures under the category to strongly contribute to improving equitable participation in the market and the societies of the IDB’s borrower countries.

Cultural Heritage Preservation



We have assessed the Sustainability Contribution of the Cultural Heritage Preservation category as **Significant**.

Investments under this category include the renovation of historical buildings; support for heritage foundations to improve management of historical centres; and development and maintenance of urban spaces. The IDB will ensure that historical buildings and urban spaces are accessible to the Vulnerable and Underserved Populations either free of charge or at a subsidized cost, although the rate of subsidization is not clearly established across all projects. We consider expenditures under this category to significantly contribute to the preservation of cultural heritage in the IDB’s borrower countries.

Category Expenditures

Expenditure	Description
Renovation of historical buildings	▶ Individuals from the Vulnerable and Underserved Populations <sup>97</sup> will have access either free of cost or at a subsidized cost to ensure affordability.
Support for heritage foundations	▶ Support for heritage foundations to improve management of historical centres. Expenditures related to this activity will include training, consulting services and project management systems.
Development and maintenance of urban spaces	▶ Development and maintenance of urban spaces for artistic and cultural expression, such as atriums, markets, museums and squares. ▶ Individuals from the Vulnerable and Underserved Populations will have access either free of charge or at a subsidized cost to ensure affordability.

<sup>97</sup> As defined under the Access to Essential Services – Education category.

### Analytical Commentary

Globally, there is a growing need to make heritage preservation more sustainable, given the continuing and increasing challenges of climate change, rising urbanization and a perceived reduction in available resources. Latin American and Caribbean countries host more than 140 World Heritage sites with diverse cultural expressions. The countries are also home to ancient cultures and subcultures, Indigenous knowledge reserves and contemporary art.<sup>98</sup>

The IDB will invest in the renovation of historical buildings, the development and maintenance of urban spaces, and support for heritage foundations to improve the management of historical centres. The IDB recognizes and targets cultural heritage sites based on attributes such as uniqueness, irreplaceability, scientific importance, value to local communities, and the role they play in the special context of wider natural and cultural landscapes. Further, projects involving cultural heritage sites incorporate a broad range of supervision requirements to ensure that key stakeholders, including local community representatives, are consulted. Although the degree of subsidization for access is not made clear across all potential financed projects, the IDB will ensure that individuals from the Vulnerable and Underserved Populations will have access to the historical buildings and the urban spaces dedicated to artistic and cultural expression either free of charge or at a subsidized cost. We consider expenditures under this category to significantly contribute to the preservation of cultural heritage in the IDB's borrower countries.

### Employment Generation

Significant



We have assessed the Sustainability Contribution of the Employment Generation category as **Significant**.

The IDB will finance projects aimed at improving employability; energy-efficient operations; access to finance for MSMEs based in Latin America or the Caribbean; training and career development for the target populations; and programmes to promote sustainable tourism. The financial intermediaries will offer all employment and career development programmes under this category free of charge or at subsidized rates to the target populations. The financing to MSMEs will be provided at concessional interest rates or free of cost with flexible financing terms, with the specific degree of interest rate concessions established at the local lender level based on the need of each recipient. Moreover, the financed MSMEs will align with the MSME definitions established by the OECD. Expenditures under this category are expected to significantly contribute to the overall employment generation in Latin America and Caribbean.

#### Category Expenditures

Expenditure	Description
Projects aimed at improving employability	<ul style="list-style-type: none"> <li>▶ Projects aimed at improving employability, including vocational training programmes and job fairs.</li> <li>▶ Expenditures related to this activity will target individuals in the Vulnerable Populations and Underserved Populations.<sup>99</sup> Moreover, the job fairs will mostly support MSMEs in their recruitment processes.</li> </ul>

<sup>98</sup> ICCROM, "Heritage Management in Latin America and the Caribbean (LAC)", at: <https://www.iccrom.org/programmes/heritage-management-latin-america-and-caribbean-lac>

<sup>99</sup> As defined under the Access to Essential Services - Education category.

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	<ul style="list-style-type: none"> <li>▶ The vocational training programmes will be made available to the target population either free of cost or will be subsidized to ensure affordability.</li> </ul>
MSME lending	<ul style="list-style-type: none"> <li>▶ Financing provided to MSMEs will be through intermediary financial institutions. The IDB will extend funding to first-tier intermediary financial institutions, which in turn will provide funding to second-tier public financial institutions (such as microfinance institutions), which on-lend to MSMEs.</li> <li>▶ MSMEs will have access to finance at a subsidized rate for investing in energy efficiency technologies, products or equipment to support their climate transitions. Energy efficiency technologies designed or intended for processes that are inherently carbon intensive or powered by fossil fuels will be excluded.</li> </ul>
Development of equality policies and practices	<ul style="list-style-type: none"> <li>▶ 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 and the Underserved Populations.</li> <li>▶ Expenditures for policy changes will relate to direct financing provided to borrower countries to implement policy-level changes.</li> <li>▶ Training and career development programmes will be offered free of cost to the target populations.</li> </ul>
Programmes to promote the development of sustainable tourism projects	<ul style="list-style-type: none"> <li>▶ Financing of MSMEs operating in the sustainable tourism sector to promote the development of sustainable tourism activities, aimed at benefitting rural and low-income regional economies</li> </ul>

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#### Additional details

- ▶ MSMEs are defined based on government definition in the host country, where the project will be located (including one-person businesses identified as MSMEs) or used by the supported financial intermediaries to categorize their loan portfolio according to the size of sub-borrowers.
  - ▶ The IDB ensures affordability to MSMEs by including relevant clauses in the agreements with the intermediaries. The financial intermediaries will offer financial services at free of cost or with concessional interest rates and other flexible financing terms, as well as free or subsidized training programmes and technical assistance for MSMEs.
  - ▶ The IDB will ensure that the intermediary financial institutions have responsible lending practices. The Bank'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.
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#### *Analytical Commentary*

MSMEs account for 66% of formal employment in Latin American and Caribbean countries,<sup>100</sup> having contributed 3.2% to GDP in the region in 2022. Although the official regional unemployment rate declined to 6.3% in 2023, broader analysis places it closer to 7.2%, reflecting hidden labour market pressures. In this context, MSMEs face persistent structural challenges, including limited institutional capacity, insufficient funding, fragmented support services, and complex and costly business registration procedures that drive many enterprises into informality. In response, countries have made progress in strengthening MSME support frameworks through training programmes, innovation services and improved access to public procurement.<sup>101</sup> Development finance institutions play a key role in improving access to finance for MSMEs and supporting employment generation in these countries.

The IDB's financing of projects and programmes aimed at improving employability; access to finance for MSMEs; and free of charge training and career development for the Vulnerable and Underserved Populations are expected to promote and foster economic development in underdeveloped regions. The Bank will finance these projects and programmes through intermediary financial institutions which they will ensure adhere to responsible lending practices.

Regarding MSME financing, the IDB will include relevant clauses in the agreements with the intermediary financial institutions to increase affordability for the MSMEs through concessional or no interest rates with flexible financing terms, with the specific degree of interest rate concessions established at the local lender level based on the need of each recipient. Moreover, financed MSMEs will align with the MSME definitions established by the OECD.

Regarding the funding of programmes to increase employability through training, Vulnerable and Underserved Populations will be targeted, and affordability will be ensured via no cost admission or subsidies. The qualifying target groups and the degree of subsidization for such target groups lacks clarity in some cases for the financed training programmes.

Expenditures under this category are expected to significantly contribute to improving access to finance for MSME and the development of employability and skilled-work training in Latin America and Caribbean.

## Food Security and Sustainable Food Systems

▲  
Significant



We have assessed the Sustainability Contribution of the Food Security and Sustainable Food Systems category as **Significant**.

Investments under the category include providing subsidies and financing to smallholder farmers and agricultural MSMEs for food production, as well as for improving the climate resilience of agricultural practices, and research and development projects for agricultural transformation. Financing to the target MSMEs will be provided at concessional interest rates with flexible repayment terms and free or subsidized technical assistance, with the specific degree of interest rate concessions established at the local lender level based on the need of each recipient. The financed MSMEs will align with the MSME definitions established by the OECD, and the financed smallholder farmers will align with the definition established by FAO. Given that most of borrower

<sup>100</sup> OECD, "Latin American Economic Outlook 2023", at: [https://www.oecd.org/en/publications/latin-american-economic-outlook-2023\\_8c93ff6e-en.html](https://www.oecd.org/en/publications/latin-american-economic-outlook-2023_8c93ff6e-en.html)

<sup>101</sup> OECD, CAF and SELA, "SME Policy Index: Latin America and the Caribbean 2024- Latin America and the Caribbean Towards an inclusive, resilient, and sustainable recovery", (2024), at: [https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/sme-policy-index-latin-america-and-the-caribbean-2024\\_d0ab1c40/ba028c1d-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/sme-policy-index-latin-america-and-the-caribbean-2024_d0ab1c40/ba028c1d-en.pdf)

countries do not necessarily face food insecurity and there are no clearly defined food security needs for the research and development expenditures associated with food security, the investments under this category are expected to significantly contribute to the improvement of food systems in the IDB's borrower countries.

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#### Category Expenditures

Expenditure	Description
Providing subsidies for food production	<ul style="list-style-type: none"> <li>▶ Provision of subsidies to smallholder farmers and agricultural MSMEs engaged in food production.</li> <li>▶ The Bank will follow the FAO's definition of smallholder farmers, who are small-scale farmers, pastoralists, forest keepers, fishers that manage areas varying from less than one hectare to 10 hectares.<sup>102</sup></li> <li>▶ Agricultural MSMEs are those whose business is focused on agricultural activities. These will adhere to governments' definition of MSMEs.</li> <li>▶ Financing provided to smallholder farmers and MSMEs will occur through intermediary financial institutions. The IDB will ensure that the borrowing intermediary financial institutions adhere to responsible lending practices.</li> </ul>
Improving climate change resilience of agricultural practices	<ul style="list-style-type: none"> <li>▶ Providing finance to smallholder farmers and agricultural MSMEs (as defined above) in rural areas for projects that build climate change resilience, such as by enhancing water use efficiency in irrigation systems and reducing the risk of rural economic losses due to floods.</li> </ul>
Research and development for agricultural transformation	<ul style="list-style-type: none"> <li>▶ Development of research programmes, initiatives and agro-technology projects dedicated to agricultural transformation to increase food safety and productivity.</li> <li>▶ Financed initiative does not support projects aimed at developing genetically modified organisms or technologies intended for large-scale monoculture farming.</li> </ul>

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#### Additional details

- ▶ MSMEs are defined based on the government definition in the host country, where the project will be located (including one-person businesses identified as MSMEs) or used by the supported financial intermediaries to categorize their loan portfolio according to the size of sub-borrowers.
- ▶ Financing provided to agricultural 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.
- ▶ The IDB enhances affordability to the smallholder farmers and agricultural MSMEs by including relevant clauses in the agreements with the intermediaries. The financial intermediaries offer lower-than-market interest rates, subsidies, flexible repayment terms and free or subsidized technical assistance.

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#### Analytical Commentary

Agriculture plays a crucial role in the economic growth of Latin American and Caribbean countries. In 2022, the agricultural sector contributed approximately 7% of the region's total gross domestic

<sup>102</sup> FAO, "Smallholders and Family Farmers", (2013), at: <https://www.fao.org/family-farming/detail/en/c/273864/>

product.<sup>103</sup> However, extreme weather events and changing patterns of climate variability are negatively impacting food security in Latin America and the Caribbean. There is a need for increased investments in the region to ensure small-scale producers have access to the required infrastructure, climate information systems, sustainable agricultural practices and financial services to cope with extreme weather events and climate variability.<sup>104</sup>

The IDB will provide subsidies and financing to smallholder farmers and agricultural MSMEs for food production and to improve the climate resilience of agricultural practices. The Bank will finance these projects through intermediary financial institutions and will ensure that they adhere to responsible lending practices. The financing to the target population will be provided at concessional market interest rates with flexible repayment terms and free or subsidized technical assistance, with the specific degree of interest rate concessions established at the local lender level based on the need of each recipient. We consider the combination of these features likely to substantially reduce the cost of loans. Additionally, the financed agricultural MSMEs will align with the MSME definitions established by the OECD, while the financed smallholder farmers will align with the definition established by FAO. However, we consider that most of the borrower countries do not necessarily face food insecurity as most of them, except Haiti, do not rank “Serious” rating on GHI.<sup>105</sup>

The Bank will also invest in research programmes, initiatives and agro-technology projects aimed at increasing food security. Although some borrower countries, such as Haiti, face serious food insecurity challenges, most of the IDB’s borrower countries are underdeveloped with low or moderate food insecurity that do not necessarily face food insecurity.<sup>106</sup> Additionally, the financed research programmes, initiatives and agro-technology projects will likely benefit a population experiencing food insecurity, however, their wide scope does not always ensure that a clearly defined food security need is being met.

Overall, the expenditures under the category are expected to significantly contribute to improving smallholder farmers’ and agricultural MSMEs’ access to finance and contribute to the improvement of food security in the IDB’s borrower countries.

## Security Justice and Conflict Resolution

▲  
Significant



We have assessed the Sustainability Contribution of the Security, Justice and Conflict Resolution category as **Significant**.

Investments under the category include programmes that address societal fragility, conflict and criminal violence, as well as programmes and facilities intended to avoid crime recidivism. The financed programmes will be targeted at specific sub-groups from relevant target populations, except for programmes on crime prevention which target broader populations. These services and facilities will be offered either free of cost or will be subsidized, which addresses affordability but does not guarantee access for all. Investments under this category are expected to significantly contribute to addressing issues related to safety and security in the IDB’s borrower countries.

<sup>103</sup> IDB, “Agricultural Policies in Latin America and the Caribbean 2023”, at: <https://publications.iadb.org/en/agricultural-policies-latin-america-and-caribbean-2023>

<sup>104</sup> Pan American Health Organization (2025), “New UN Report: 74 percent of Latin American and Caribbean countries are highly exposed to extreme weather events, affecting food security”, at: <https://www.paho.org/en/news/27-1-2025-new-report-74-percent-latin-american-and-caribbean-countries-are-highly-exposed>

<sup>105</sup> Global Hunger Index (2024), “Global Hunger Index Scores by 2024 GHI Rank”, at: <https://www.globalhungerindex.org/ranking.html>

<sup>106</sup> Ibid.

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**Category Expenditures**

Expenditure	Description
Programmes and training focused on prevention of violence in communities	<ul style="list-style-type: none"> <li>▶ Programmes and training to provide knowledge, skills and opportunities for residents of target communities to challenge and change attitudes that promote or tolerate violence. The programmes may be implemented by non-profit organizations and expenditures will include costs related to the implementation, monitoring and evaluation of these programmes.</li> <li>▶ Such programmes will be aimed at increasing awareness about crime reporting and laws among women and the Vulnerable and Underserved Populations.<sup>107</sup> These may also include community-led programmes for the prevention of violence against women.</li> </ul>
Programmes for the social inclusion of young people	<ul style="list-style-type: none"> <li>▶ Programmes that promote the social inclusion of at-risk adolescents who face high risk factors associated with violence or organized crime. These programmes include cognitive therapy for juveniles, prisoners or at-risk adolescents for changing their attitude towards drug abuse and violence.</li> <li>▶ At-risk adolescents are adolescents who: i) belong to the Vulnerable Populations and Underserved Populations; ii) live in areas with a high prevalence of crime, per government data; and iii) are at risk of drug abuse, violence or crime recruitment.</li> </ul>
Programmes that support victims of violence	<ul style="list-style-type: none"> <li>▶ Programmes that support victims in claims processing, accessing social services and preventing revictimization.</li> <li>▶ Expenditures related to these programmes may 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 to improve their economic and social autonomy.</li> </ul>
Rehabilitation programmes	<ul style="list-style-type: none"> <li>▶ Rehabilitation programmes for formerly incarcerated individuals that facilitate reintegration into society, prevent crime recidivism and combat organized crime.</li> <li>▶ These programmes may include providing legal aid, education or vocational training to former combatants or people released from the prison system.</li> </ul>
Construction and operation of socio-cultural centres.	<ul style="list-style-type: none"> <li>▶ The financed socio-cultural centres serve as venues for events targeted at at-risk adolescents, as defined above, to prevent violence, drug abuse, and other issues.</li> <li>▶ The programmes or sessions held in these social centres can be accessed by all, regardless of ability to pay.</li> </ul>
Family care programmes	<ul style="list-style-type: none"> <li>▶ Rehabilitation of human capital through family care programmes for adolescent offenders, including afterschool programmes that offer structure and supervision to children by keeping them occupied through extracurricular activities.<sup>108</sup></li> </ul>

<sup>107</sup> As defined under the Access to Essential Services – Education category.

<sup>108</sup> 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>.




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#### Additional details

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- ▶ Services and facilities will be available to the target population either free or will be subsidized.
  - ▶ Expenditures will exclude judicial and law enforcement infrastructure such as police stations].
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#### Analytical Commentary

The IDB estimates that crime and violence lead to an average reduction of 3.5% in the GDP of the region.<sup>109</sup> Approximately 20% of people in Latin American and Caribbean countries consider violence to be the most pressing problem in their country, and communities consider violence from organized crime to be a critical issue related to their well-being.<sup>110</sup> Moreover, children and adolescents living in areas with a high prevalence of crime are at risk of being exposed to crime or engaging in violence. Programmes and initiatives such as after-school programmes can potentially reduce the participating adolescents' violent behaviour inside as well as outside of school.<sup>111</sup> Considering that crime and violence can hinder overall socio-economic development, there is a need for investment in programmes intended to address societal fragility and avoid crime recidivism in the IDB's borrower countries.

The Bank will invest in programmes aimed at improving the security and safety of specific individuals in the relevant target populations, such as adolescent offenders, at-risk adolescents, women victims of domestic violence and former combatants. Programmes promoting crime reporting and legal awareness target broader populations than those specifically in need of such interventions, potentially reducing their effectiveness on the most vulnerable groups. In addition, all expenditures under this category include services and facilities that will be offered either free of cost or subsidized, which addresses affordability but does not guarantee access for all. While the IDB does not directly control the final cost for end beneficiaries, it includes relevant terms in its agreements with intermediaries to promote affordability and inclusiveness. Overall, investments under the category are expected to significantly contribute to addressing societal fragility, conflict, criminal violence and crime recidivism in the IDB's borrower countries.

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## State Modernization



We have assessed the Sustainability Contribution of the State Modernization category as **Moderate**.

Expenditures under the category will target the Vulnerable and Underserved Populations and MSMEs. However, the Framework does not specify minimum criteria for identifying qualifying MSMEs and certain aspects of the definitions of the target populations lack specificity. While the investments in programmes to incorporate climate change considerations into fiscal policies is expected to significantly contribute to sustainable policy development, the nature of the expenditures related to the upgrade and digitalization of public expenditures and information

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<sup>109</sup> IDB, "IDB proposes regional alliance to strengthen security in Latin America and Caribbean", (2024), at: <https://www.iadb.org/en/news/idb-proposes-regional-alliance-strengthen-security-latin-america-and-caribbean>

<sup>110</sup> World Bank, "Competition: The Missing Ingredient for Growth?", (2024), at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/184bce21-8fec-4b14-acad-9ee256e7db93/content>

<sup>111</sup> 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>.

systems, the digital transformation of public services, and equitable tax systems is such that any benefits for the target population specifically would be uncertain and indirect. Nevertheless, such expenditures are expected to moderately contribute to improving access to public systems and services for the intended populations.

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#### Category Expenditures

Expenditure	Description
Upgrade and digitalization of public expenditures and information systems	<ul style="list-style-type: none"> <li>▶ Upgrade and digitalization of public information systems dedicated to the modification, development and implementation of targeted public policies for the Vulnerable and Underserved Populations and MSMEs for more efficient resource distribution process to these target populations.</li> <li>▶ Eligible expenditures may include upgrades to public information systems that provide information on subsidies or tax reimbursements relevant for the target populations.</li> </ul>
Digital transformation of public services	<ul style="list-style-type: none"> <li>▶ Programmes supporting the digital transformation of public services and improving digital connectivity will target the Vulnerable and Underserved Populations and MSMEs to improve the use of public services.</li> <li>▶ Eligible programmes may include the digital transformation of cash transfer systems and programmes to improve access to digital payments.</li> </ul>
Development and implementation of efficient and equitable tax systems	<ul style="list-style-type: none"> <li>▶ Development and implementation of systems and processes dedicated to bringing equity and efficiency in tax systems, targeted at Vulnerable and Underserved Populations and MSMEs.</li> <li>▶ Expenditures may include specific platforms that enable relevant tax subsidies and outreach programmes for target populations.</li> </ul>
Incorporation of climate change into the design and implementation of fiscal policies	<ul style="list-style-type: none"> <li>▶ 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 may include: i) employment generation programmes for people who have been impacted by climate change; ii) financing of public initiatives to train and create awareness on the themes of climate change resilience among local communities living in areas prone to natural disasters; iii) engagement with 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.</li> <li>▶ Expenditures will target the Vulnerable and Underserved Populations as well as MSMEs that have been impacted by climate disasters or those who live in areas prone to climate disasters.</li> </ul>

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#### Additional details

- ▶ MSMEs are defined based on the government definition in the host country, where the project will be located (including one-person businesses identified as MSMEs) or used by the supported financial intermediaries to categorize their loan portfolio according to the size of sub-borrowers.

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#### Analytical Commentary

Progressive tax policies and effective redistributive programmes have the potential to reduce income inequality and promote equity. Fiscal policies can also transform economic and financial structures to be better aligned with climate commitments.<sup>112</sup> However, most countries in Latin America and the Caribbean do not fully use fiscal policies as a strategy for climate change mitigation and adaptation. Additionally, most countries in the region also have not fully started managing the fiscal risks associated with the energy transition, which for several countries in the region are very high.<sup>113</sup> Hence, addressing these gaps is essential to ensure fiscal policy becomes a more effective tool for supporting an inclusive and climate-resilient transition in the region.

Improving the digital transformation of government systems in Latin America and the Caribbean is essential to enhance the responsiveness, transparency, and inclusivity of public services. While the region has made progress in digitalizing transition, outcomes remain uneven and lag OECD averages.<sup>114</sup> As of 2023, 59% of Latin American and Caribbean countries have established digital government co-ordination bodies to align the implementation of digital government reforms and strategies. However, only a few of these co-ordination bodies have decision-making responsibilities.<sup>115</sup> The limited presence of these decision-making bodies in Latin American and Caribbean countries impacts their capacity for consistent execution of digital government policies and initiatives.<sup>116</sup> Therefore, there is potential for Latin America and the Caribbean countries to establishing more robust governance of digital government.<sup>117</sup>

The IDB has identified inefficient bureaucracy and inadequate digital progress as two of the key challenges that limit the technical and operational capacity of countries in Latin America and the Caribbean. To address these two issues, the IDB intends to invest in the public systems and services to benefit the target populations. Regarding targeting, however, certain aspects of the definitions of the target populations, such as people facing economic challenges and people living in urban settings, lack specificity. Moreover, while the Framework indicates that the expenditures related to the upgrade and digitalization of public information systems and services are intended to benefit the target populations, the broad nature of these expenditures are such that we consider any specific benefits for the target population to be uncertain and indirect.

Nevertheless, expenditures under this category are expected to moderately contribute to improving access to public systems and services for the target populations in the IDB's borrower countries.

<sup>112</sup> UNEP, "Public Finance and Fiscal Policies", at: <https://www.unep.org/topics/finance-and-economic-transformations/transforming-economies/public-finance-and-fiscal>

<sup>113</sup> IDB, "Fiscal Management Sector Framework Document", (2022), at: <https://www.iadb.org/en/who-we-are/topics/modernization-state/sector-framework-modernization-state>

<sup>114</sup> OECD, "2023 OECD/IDB Digital Government Index of Latin America and the Caribbean", at: [https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/2023-oecd-idb-digital-government-index-of-latin-america-and-the-caribbean\\_5a9af6c4/10b82c83-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/2023-oecd-idb-digital-government-index-of-latin-america-and-the-caribbean_5a9af6c4/10b82c83-en.pdf)

<sup>115</sup> OECD, "Digital Government Review of Latin America and the Caribbean – Building inclusive and responsive public services", (2023), at: [https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/09/digital-government-review-of-latin-america-and-the-caribbean\\_75a4be05/29f32e64-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/09/digital-government-review-of-latin-america-and-the-caribbean_75a4be05/29f32e64-en.pdf)

<sup>116</sup> Ibid.

<sup>117</sup> OECD, "2023 OECD/IDB Digital Government Index of Latin America and the Caribbean", at: [https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/2023-oecd-idb-digital-government-index-of-latin-america-and-the-caribbean\\_5a9af6c4/10b82c83-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/2023-oecd-idb-digital-government-index-of-latin-america-and-the-caribbean_5a9af6c4/10b82c83-en.pdf)

## Environmental and Social Risk Management

We have identified the following areas of environmental and social risks associated with the expenditures eligible under the Framework: i) land use and biodiversity; ii) emissions, effluents and waste generated in large-scale construction and development; iii) occupational health and safety; iv) community relations and stakeholder participation; and v) lending and business ethics. The IDB has the following policies and processes in place to identify and mitigate such risks.

E&S Risk identified	Applicable policies, procedures and measures
Due diligence and risk management measures	<ul style="list-style-type: none"> <li>▶ The IDB's Environmental and Social Policy Framework (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 environmental sustainability, resource efficiency and pollution (including emissions and effluents), biodiversity protection, human rights and health and safety, mandating projects to follow best practices and legal requirements.<sup>118</sup></li> <li>▶ The IDB's Environmental and Social Performance Standard also provides its borrowers guidance related to: i) assessment and management of environmental and social risks and impacts; ii) labour and working conditions; iii) biodiversity considerations; iv) resource efficiency and pollution; and v) stakeholder engagement, among others. Moreover, ESPF highlights the importance of managing environmental and social performance throughout the life of a project.<sup>119</sup></li> </ul>
Land use and biodiversity	<ul style="list-style-type: none"> <li>▶ The IDB follows its Environment and Biodiversity Sector Framework Document, which sets strategies for landscape management and securing property rights to combat deforestation.<sup>120</sup> In addition, the Guidance for Assessing and Managing Biodiversity Impacts and Risks in Inter-American Development Bank Supported Operations includes the Environmental and Social Safeguard Policies (OP-703), which require environmental assessments and use of a mitigation hierarchy to manage biodiversity impact. The 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 impact, supported by early biodiversity screening and classification systems.<sup>121</sup></li> </ul>
Emissions, effluents and waste generated in large-scale construction and development	<ul style="list-style-type: none"> <li>▶ The IDB's ESPF provides a comprehensive approach to managing GHG emissions, waste management, water management as well as hazardous materials management.<sup>122</sup></li> <li>▶ 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</li> </ul>

<sup>118</sup> 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>

<sup>119</sup> IDB, "Environmental and Social Performance Standard", (2021), at: <https://www.iadb.org/en/who-we-are/topics/environmental-and-social-solutions/environmental-and-social-policy-framework>

<sup>120</sup> 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>

<sup>121</sup> 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>

<sup>122</sup> 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>

projects to have measures to safeguard water quality, prevent overexploitation and improve the efficiency of service providers.<sup>123</sup>

#### Occupational health and safety

- ▶ The IDB addresses workplace hazards in Bank-financed projects through its Environmental and Social Safeguards Unit, which applies the Environmental and Social Policy Framework and related technical notes. As stated in the Community Health and Safety Recommendations Tools note, borrowers must identify and manage occupational and community health risks during project design and implementation.<sup>124</sup> This unit is in charge of monitoring and enforcing the safety measures and protocols for project activities that might expose workers to risks. The 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. The IDB integrates these requirements into its environmental and social impact assessments and project management processes to mitigate occupational health risks.<sup>125</sup>

#### Community relations and stakeholder participation

- ▶ 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 the 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.<sup>126</sup>

#### Lending and business ethics

- ▶ The 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.<sup>127</sup> These processes are supported by the Independent Consultation and Investigation Mechanism, which provides a formal channel for addressing non-compliance with the IDB's operational policies.<sup>128</sup> Additionally, the Bank's Code of Ethics requires employees to avoid conflicts of interest, disclose potential conflicts and ensure transparency in financial dealings.<sup>129</sup>
- ▶ The IDB typically works closely with intermediary financial institutions for project implementation. In such cases, the IDB ensures that the borrowing intermediary financial institutions adhere to responsible lending practices.
- ▶ The IDB also takes into consideration the borrower country's policies, institutional framework (including its national, subnational, or sectoral implementing institutions and applicable laws,

<sup>123</sup> IDB, "Sector Framework - Water, Sanitation and Solid waste", at: <https://www.iadb.org/en/who-we-are/topics/water-and-sanitation/sector-framework-water-and-sanitation>

<sup>124</sup> IDB, "Community, Health and Safety: Recommendations and tools", at: <https://publications.iadb.org/en/community-health-and-safety-recommendations-and-tools>

<sup>125</sup> 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>

<sup>126</sup> 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>

<sup>127</sup> IDB, "The Office of Institutional Integrity", at: <https://www.iadb.org/en/who-we-are/transparency/sanctions-system/office-institutional-integrity>

<sup>128</sup> MICI, "Policy of the Independent Consultation and Investigation Mechanism of IDB", (2021), at: <https://mici.iadb.org/en/guide-filing-complaint>

<sup>129</sup> IDB, "Code of Ethics and Professional Conduct", at: <https://www.iadb.org/en/who-we-are/transparency/ethics-and-professional-conduct>

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regulations, rules and procedures) and implementation commitment, capacity, and track record that are relevant to the environmental and social risks and impacts of the project.<sup>130</sup>

<sup>130</sup> 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>

## Annex 1: Assessment Framework Overview

The following is a brief overview of the Assessment Framework that we use to assess debt instruments and the frameworks that support them. Using this Assessment Framework, we provide two key signals in our Second Party Opinions: **Principles Alignment** and **Sustainability Contribution**.





**Principles Alignment** indicates a framework’s alignment with the requirements of applicable sustainable debt market Principles.<sup>131</sup> This assessment is structured according to the four components of the Principles: Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting. Principles Alignment is expressed at one of following levels:

- ▶ **Aligned:** Meets all requirements across the four components.
- ▶ **Partially Aligned:** Meets requirements on two or three of the four components.
- ▶ **Not Aligned:** Does not meet requirements on most or all of the four components.

In addition, we provide commentary on any shortcomings as well as best practices.

**Sustainability Contribution** provides a clear and comparable signal of the expected contribution of the use of proceeds to one or more environmental or social objectives. We assess each expenditure defined in a framework by looking at the activities, assets and projects that they finance. This assessment is carried out using a set of factors that we have identified as driving the expenditure’s contribution to a primary objective as well as its avoidance of harm to other objectives. The assessment results in one of the four levels of Sustainability Contribution described in the table below.

We determine the average contribution of the expenditures within each use of proceeds category (as defined by the issuer) to produce an expected Sustainability Contribution for each category. We then aggregate across categories to determine the Sustainability Contribution of a framework overall. In most cases, weight is distributed equally across use of proceeds categories. However, we adjust the weighting if information regarding percentage allocation is provided by the issuer.

Level of Sustainability Contribution	Description
	The expenditure finances an activity that makes a strong contribution to an environmental or social objective. The activity is well aligned with credible standards; there are no significant lock-in risks; and the risk of negative impact to other sustainability objectives is low.
	The expenditure finances an activity that makes a significant positive contribution to an environmental or social objective while having minor shortcomings compared to a strong contribution. This is either because the activity falls somewhat short of credible standards; there is some risk of lock-in (in the case of some environmental activities); there is a risk of negative impact to other sustainability objectives; or there is some ambiguity in the criteria for the expenditure.
	The expenditure finances an activity that represents a step towards an environmental or social objective but has substantial shortcomings compared to expenditures that make a strong contribution. Although the activity will result in benefit over a relevant baseline, either it falls substantially short of credible standards; there is significant risk of lock-in; there is significant ambiguity in the criteria; or there is a risk of significant negative impact to other sustainability objectives.
	The expenditure finances an activity that entails no net positive contribution to environmental or social objectives. Even in cases where there is some positive contribution to an objective, this is offset by shortcomings in other areas. Alternatively, the eligibility criteria may be unclear to the extent that contribution cannot be determined.

<sup>131</sup> These primarily include the Green Bond Principles and the Social Bond Principles, published by the International Capital Market Association (ICMA); and the Green Loan Principles and the Social Loan Principles, published by the Loan Syndications and Trading Association, the Loan Market Association, the Asia Pacific Loan Market Association (LSTA-LMA-APLMA), and the Association of Southeast Asian Nations (ASEAN).

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## Scope of Work and Limitations

This Second Party Opinion provides a point-in-time independent opinion of the Framework as of the Evaluation Date. Our opinion may consider additional documentation and information that the Framework owner may have provided during the engagement, in addition to public and non-public information. The owner refers to the entity featuring as an issuer, borrower, special-purpose vehicle or any other entity as described in the Framework.

As part of this engagement, we communicated with representatives of the Framework owner, who acknowledge that: i) it is the sole responsibility of the Framework owner to ensure that the information provided is complete, accurate and up to date; ii) they have provided us with all of the relevant information; and iii) that all of the information has been provided in a timely manner.

This Second Party Opinion provides our opinion of the Framework and should be read in conjunction with that Framework. Any update of this Second Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Framework owner.

Our Second Party Opinion provides our opinion on the alignment of the Framework with current market standards and practice but provides no guarantee of alignment nor warrants alignment with future versions of any such standards. In addition, it does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided in this Second Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Framework owner may have made available to Sustainalytics for the purpose of this Second Party Opinion.

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