

# Improving Lives

in Latin America and the Caribbean

Sustainable Development Bonds



SUSTAINABLE  
DEVELOPMENT GOALS



Sustainability has long been a core element of IDB's work. Our institutional strategy reinforces the critical role sustainability plays in the region's development, stating as its vision "to work in partnership with the region to increase productivity and reduce inequality in a sustainable way, and to ultimately transform Latin America and the Caribbean into a more inclusive and prosperous society."





## IADB SUSTAINABLE DEVELOPMENT BONDS MEETING INVESTOR DEMAND

- The Green, Social and Sustainability market continues to develop, however, investor interest is growing faster than what issuers can supply.
- Investors are increasingly incorporating the UN Sustainable Development Goals (UN SDGs) in their investment decisions.
- All IDB projects are linked to the Bank's strategic priorities, which themselves are mapped to the UN SDG.



# IADB SUSTAINABLE DEVELOPMENT BONDS

## I) Use of Proceeds

The net proceeds from the sale of the notes will be included in the ordinary capital resources of the Bank and, will not be committed or earmarked for lending to, or financing of, any specific loans, projects or programs. The IDB, in partnership with its member countries, works to reduce poverty and inequalities in Latin America and the Caribbean by promoting economic and social development in a sustainable, climate friendly way

The Bank's strategic priorities include social inclusion and equality, productivity and innovation and economic integration along with three cross-cutting issues: gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. Each strategic priority of the IDB aligns to at least one of the United Nations Sustainable Development Goals (SDGs), with all goals covered within the IDB institutional strategy, which may be adapted from time to time should the United Nations SDGs definition evolve.

All projects undertaken by the IDB go through the Bank's rigorous sustainability framework. The framework tracks measurable results, adherence to lending targets and the effectiveness of its environmental and social safeguards. IDB's administrative and operating expenses are currently covered entirely by IDB's various sources of revenue, consisting primarily of net interest margin and investment income (as more fully described in the Information Statement).

## II) Process for project selection

- 1) Programming: The IDB aligns its sustainability actions with those of the borrowing country members. Project pipelines are screened for climate change opportunities and for potential environmental or social risks.
- 2) Preparation: An environmental and social strategy is prepared for the project. Climate change, gender and diversity specialists are involved at every stages of the project.
- 3) Approval: The multilateral development bank climate finance tracking methodology is applied to each projects. Key environmental and social clauses are added to loan agreements.
- 4) Execution: The level of safeguards is determined depending on environmental and social risks of the project. Two progress reports are submitted per year and the performance of safeguards is analyzed.
- 5) Completion and reporting: Results at completion, including environmental and social lessons are reported.

## III) Management of bond proceeds

The bond proceeds are invested in accordance with IDB's conservative liquidity policy until used for project disbursements. The proceeds are not earmarked for specific projects.

## IV) Monitoring and Reporting

The IDB supervises the implementation of all its projects. Reports on all projects can be found on the IDB website.

## V) Ensuring Transparency and Compliance

The IDB policies apply to all projects. This includes reviews by the IDB's financial management and procurement specialists to ensure adequate controls are in place.



**Mission: To improve lives in Latin America and the Caribbean countries by supporting efforts to reduce poverty and inequality in a sustainable, climate friendly way.**

To accomplish this mission, IADB's Institutional Strategy is focused on these three development challenges:

- **Social Inclusion and Equality**
- **Productivity and Innovation**
- **Economic Integration**



IADB's Institutional Strategy identified three cross-cutting issues to be addressed with each of the development challenges:

- **Gender equality and diversity**
- **Climate change and environmental sustainability**
- **Institutional capacity and the rule of law**



# USE OF PROCEEDS

## IADB Group Strategic Priorities

IDB Group Strategic Priorities	Sustainable Development Goals					
 Social Inclusion and Equality	 1 NO POVERTY	 2 ZERO HUNGER	 3 GOOD HEALTH AND WELL-BEING	 4 QUALITY EDUCATION	 6 CLEAN WATER AND SANITATION	 10 REDUCED INEQUALITIES
 Productivity and Innovation	 4 QUALITY EDUCATION	 7 AFFORDABLE AND CLEAN ENERGY	 8 DECENT WORK AND ECONOMIC GROWTH	 9 INDUSTRY INNOVATION AND INFRASTRUCTURE		
 Economic Integration	 8 DECENT WORK AND ECONOMIC GROWTH	 9 INDUSTRY INNOVATION AND INFRASTRUCTURE	 17 PARTNERSHIPS FOR THE GOALS			
 Climate Change and Environmental Sustainability	 11 SUSTAINABLE CITIES AND COMMUNITIES	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	 13 CLIMATE ACTION	 14 LIFE BELOW WATER	 15 LIFE ON LAND	
 Gender Equality and Diversity	 5 GENDER EQUALITY	 10 REDUCED INEQUALITIES				
 Institutional Capacity and Rule of Law	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS					

# PROCESS FOR PROJECT SELECTION

## Sustainability in the Project Cycle

### PROGRAMMING

- We align our sustainability actions with those of our borrowing member countries through the country strategies prepared every time a new administration takes office.
- We prepare sector framework documents to provide guidance to project teams on what IDB seeks to accomplish in a given sector.
- We scan the pipeline of operations each year for climate change opportunities.
- We screen all operations for potential environmental and social risks and disaster and climate change risks.

### PREPARATION

- We prepare an environmental and social strategy for the project profile.
- Project teams present a results matrix and a monitoring and evaluation plan for tracking the project's achievements, including for sustainability.
- Climate change and gender and diversity specialists get involved early to provide technical advice.
- We prepare an environmental and social management report for the Proposal for Operation Development. We help clients prepare any additional environmental and social impact assessments.

### APPROVAL

- Teams consider how projects align to IDB's strategic priorities.
- The multilateral development bank (MDB) climate finance tracking methodology is applied to each IDB Group project to determine the portion of climate-related financing.
- Loan agreements include key environmental and social clauses.

### EXECUTION

- We determine the level of safeguards supervision required using an environmental and social risk rating.
- Project teams work closely with executing agencies, building capacity along the way, and submit two progress monitoring reports per year.
- We analyze safeguards performance across the portfolio.

### COMPLETION AND REPORTING

- Results at completion, including environmental and social lessons, are reported in the Project Completion Report (externally validated by the Office of Evaluation and Oversight).



## MANAGEMENT OF BOND PROCEEDS

- The primary objective in the management of the Bank's liquid assets is preservation of capital and maintaining a portfolio of adequate size invested in high quality liquid assets to enable the Bank to meet its financial obligations without the need to access the capital markets.
- The secondary objective is to efficiently manage risk/return tradeoffs of all eligible asset classes within the defined risk tolerance of the Bank, in order to help minimize the cost of carrying liquidity.

### Liquidity Management Principles

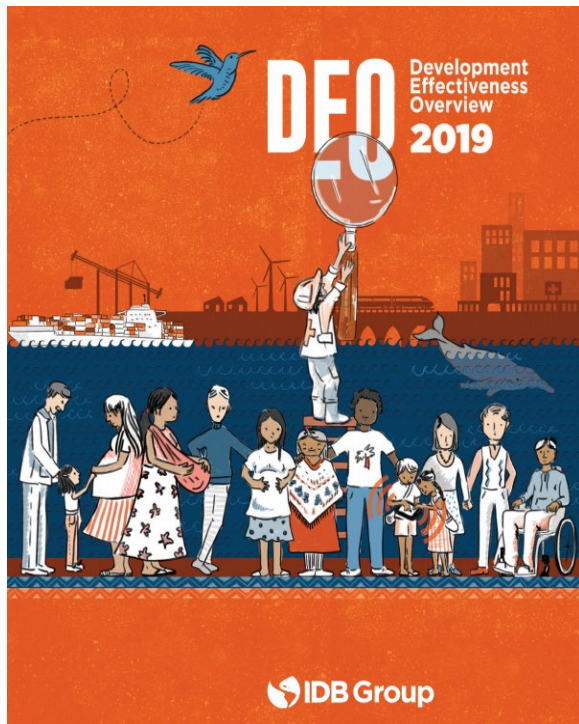
- Liquidity covers, at a minimum, 12 months of projected net cash requirements after haircuts, to meet financial obligations without the need to access the capital markets.
- The Bank invests in the obligations of eligible governments, sub-sovereign entities, agencies and corporates that are rated double-A or better; supranational, asset and mortgage backed securities rated triple-A; and bank obligations rated single-A or better.

In 2018, the Bank Disbursed USD11.3 billions in loans and ended the reporting period with USD32.7 billions in Cash and Liquid investments





# REPORTING



The Development Effectiveness Overview (DEO) is an annual report produced by the IDB group to show the results and Impact of its work in Latin America and the Caribbean.



In the annual Sustainability Report, share's its approach to sustainability and showcase some of its projects, initiatives and research the IDB financed and worked with partners to contribute to the region's sustainable development.



The Global Reporting Initiative (GRI) sets global standards for sustainability reporting, relying on best practices for reporting on a range of economic, environmental and social impacts.

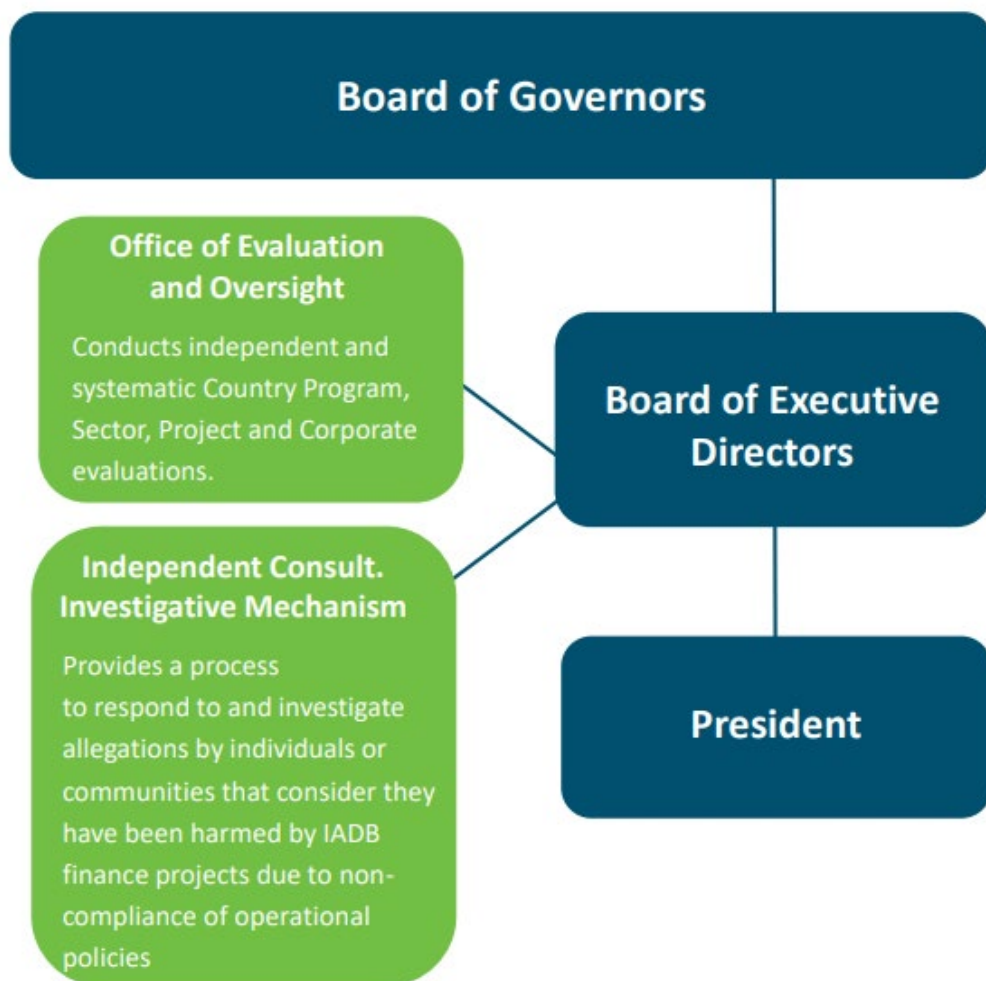
# MONITORING

## Project Monitor Reports (PMR)

- Once a project is approved, it is critical to monitor its status to ensure that implementation starts expeditiously, and that the project remains on track, consistent with its initial plan.
- The Progress Monitor Report (PMR) captures results generated during the project execution on a semi-annual basis as well as costs, outputs, outcomes and impacts.

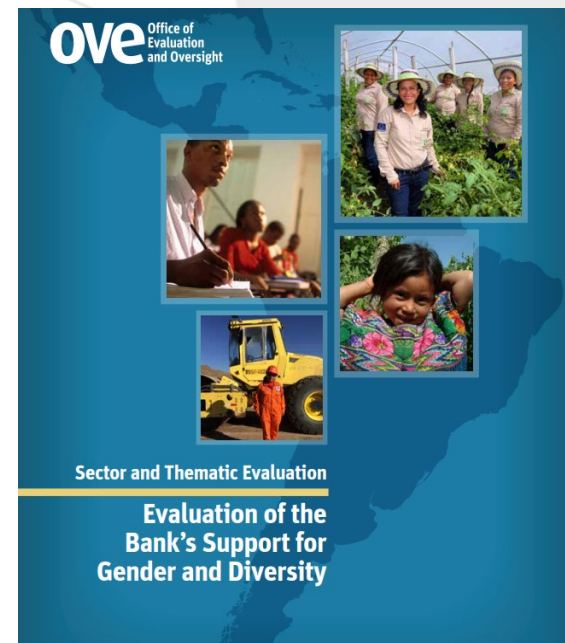
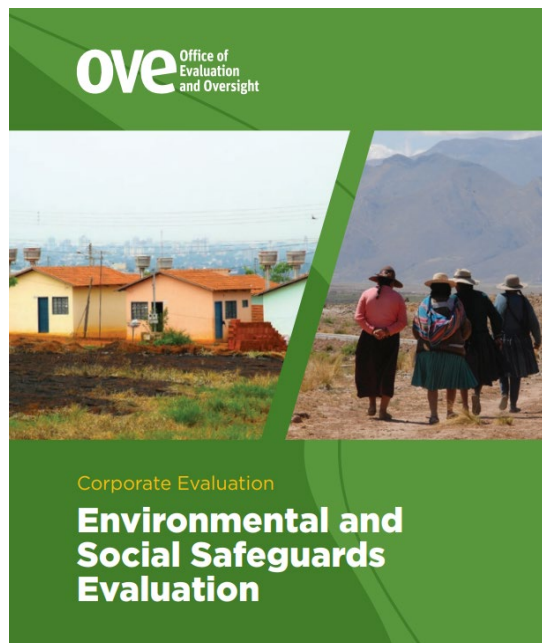
The PMR reports for all IDB projects can be found on the IDB website : <https://www.iadb.org/en/projects>





- The Office of Evaluation and Oversight (OVE) is an independent evaluation office which evaluates the performance and development effectiveness of the activities of the IDB Group.
- These evaluations seek to strengthen the IDB Group through learning, accountability and transparency.
- In 2019, OVE will celebrate 20 years as an independent evaluation office.



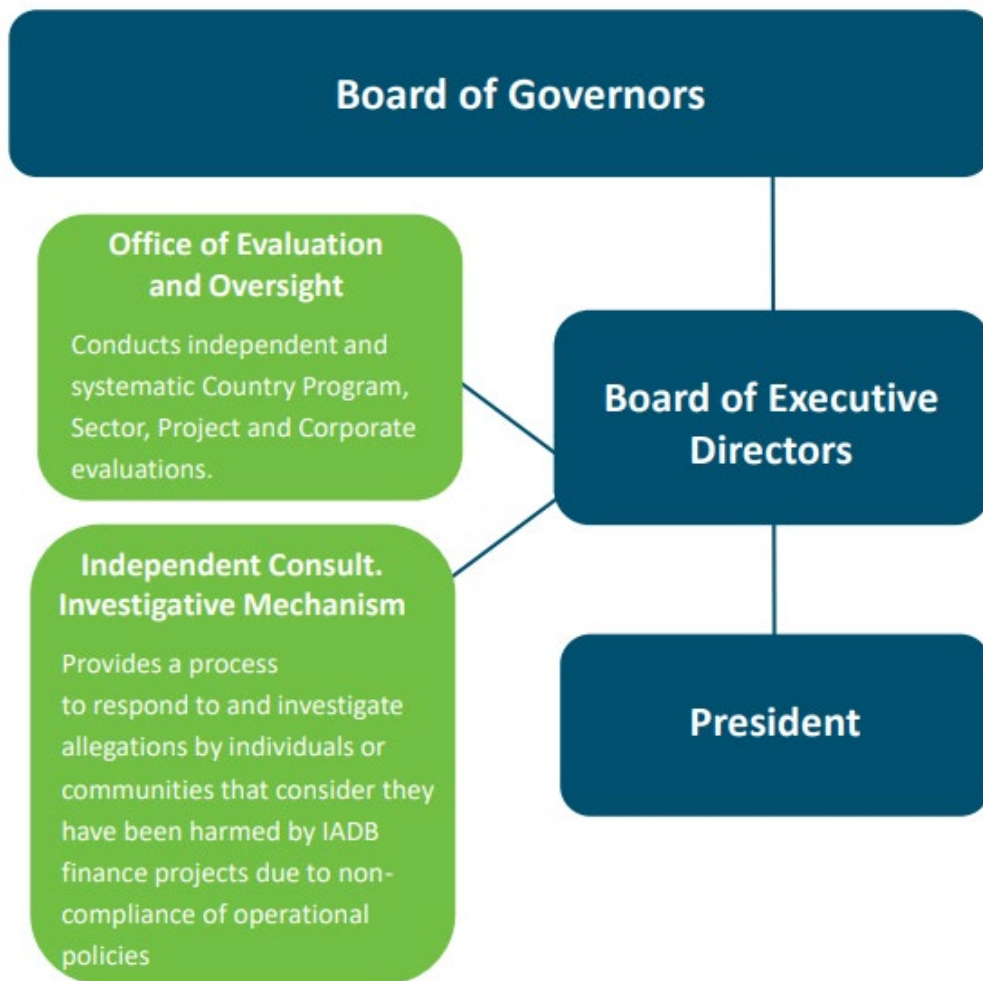


## IADB Transparency and compliance The Office of Evaluation and Oversight

Visit <https://www.iadb.org/en/ove/home> and join our conversation!







The Independent Consultation and Investigation Mechanism (MICI) is the independent accountability body of the IDB Group.

The objectives of the MICI are to:

- a) Provide a mechanism and process, independent of management, to investigate allegations complaints of harms caused by the IDB Group's failure to comply with its own policies;
- b) Provide information to the Board of Executive Directors regarding such investigations; and
- c) Be a last-resort mechanism for addressing concerns and complaints after reasonable attempts to bring allegations of harm to the attention of the Board have been made.

## Selected Results by IADBG Strategic Priority and SDG, 2016-2017

### IDB Group Strategic Priorities



#### Social inclusion and equality



#### Productivity and innovation

### Sustainable Development Goals & Results



**8.3 million**

beneficiaries of targeted  
anti-poverty programs



**9.4 million**

beneficiaries receiving  
health services



**630,000**

households with new  
or upgraded access  
to drinking water



**540,000**

beneficiaries of on-the-job  
training programs



**170,000**

jobs created by  
supported firms



**970,000**

micro, small, and medium  
enterprises financed

## Selected Results by IADBG Strategic Priority and SDG, 2016-2017

### IDB Group Strategic Priorities



#### Economic integration



#### Gender equality and diversity

### Sustainable Development Goals & Results



**60,000**

professionals  
trained or assisted in  
economic integration



**4,200**

kilometers of roads  
built or upgraded

**37** regional, sub-  
regional and extra-  
regional integration  
agreements and  
cooperation initiatives  
supported



**2.1 million**

girls benefited  
by education projects



**630,000**

women beneficiaries of  
economic empowerment  
initiatives

**560,000**

indigenous beneficiaries  
of targeted anti-poverty  
programs

## Selected Results by IADBG Strategic Priority and SDG, 2016-2017

### IDB Group Strategic Priorities



#### Climate change and environmental sustainability



#### Institutional capacity and rule of law

### Sustainable Development Goals & Results



**8.5 million**

metric tons of emissions  
(CO<sub>2</sub> equivalent) expected  
to be reduced per year



**810,000**

beneficiaries of  
improved management  
and sustainable use of  
natural capital



**470** subnational  
governments benefited  
by citizen security

**123** government  
agencies benefited  
by strengthening  
technological and  
managerial tools to  
improve public service  
delivery

**100%**

installed power  
generation capacity  
from renewable sources

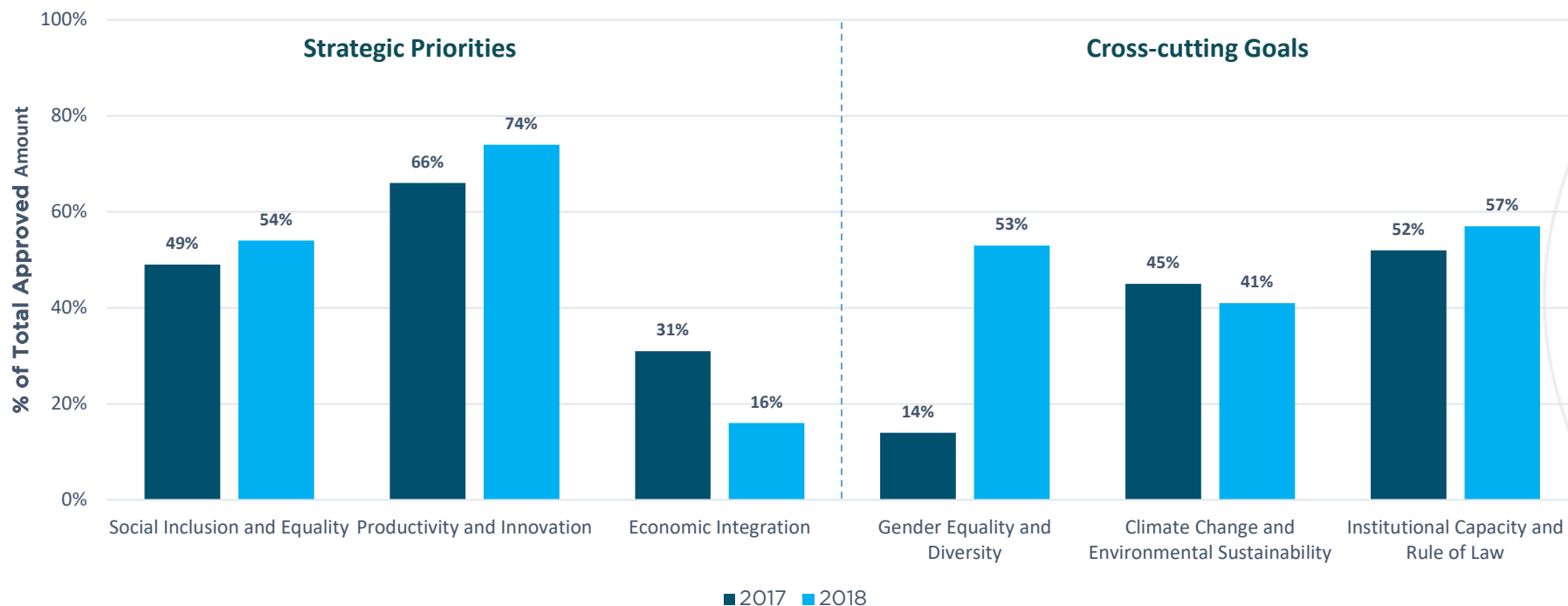
**10** countries benefited  
by IDB projects aimed  
at improving domestic  
resource mobilization



# IADB RESULTS REPORTING

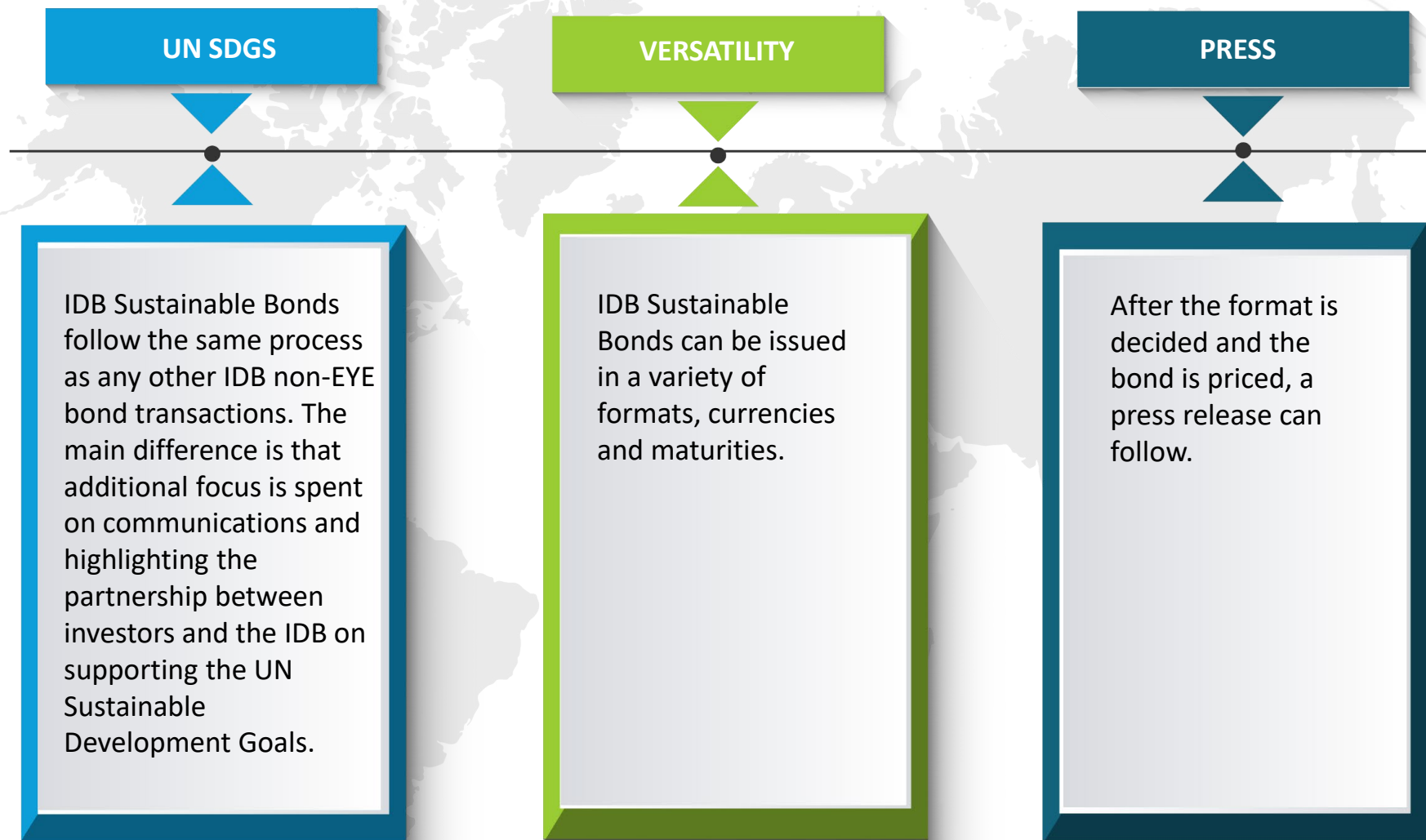
## Loan Approvals by Sector Priorities <sup>1</sup>

For the years ended December 31, 2018 and 2017



(1) Loans may be categorized in more than one sector priority; therefore, percentages may not necessarily add to 100%.

# IADB SUSTAINABLE DEVELOPMENT BONDS: EXECUTION



# EFFECTIVENESS FOR IMPROVING LIVES

## Belize: Solid Waste Management Project

**Challenge:** Inadequate waste collection systems prevailed throughout the country, with improper discharge of wastes in open or only partially controlled dumps, lacking the necessary technical and sanitary and environmental controls. The inadequacy of final waste disposal practices on the offshore islands of Belize became a worrisome aspect due to their proximity to coral reefs and their importance to the ecotourism market.

**Objective:** The objective of the project was to support Belize in its efforts to improve solid waste management practices, reduce environmental pollution, and enhance the image of Belize in the ecotourism market through better management of its municipal solid wastes (MSW). The project sought to address the solid waste management needs along the Western corridor (Belize City, San Ignacio and Santa Elena), and the islands of Ambergris (San Pedro) and Caye Caulker, and also to strengthen overall Central Government capacities to improve solid waste management.

**Expected Results:** The project has resulted in the construction of the first sanitary landfill in Belize. Another main result of the project has been the closing of the dumpsites in the Western Corridor (Belize City, San Ignacio and Burrell Boom), and the corresponding replacement with transfer stations.

By the end of the project: (a) 30,653 households in Belize had access to safe disposal of solid waste in a sanitary landfill, representing 39% of the households in Belize (0% in 2009); (b) 56,711 metric tons of solid waste had been safely disposed in the sanitary landfill since August 2013; and (c) absence of fire incidents and the related environmental and health impacts since 2010 at the locations of the former dumpsites in Belize City and San Ignacio.

All figures are as of December 31, 2018 unless otherwise noted.



Loan	Solid Waste Management Project (BL-L1006)
Sector	Water and Sanitation
Loan Amount	USD11.15 million

For more information:  
<https://www.iadb.org/en/project/BL-L1006>



# EFFECTIVENESS FOR IMPROVING LIVES

## Panama: Public Utilities Sustainable Development Support Program

**Challenge:** Panama was the fastest growing economy in Latin America and the Caribbean from 2010 to 2016, expanding at an annual average rate of 7.2%. This growth was mainly driven by the increase in investment followed by the increase in energy and water demands. Although the coverage of both services (energy and water) exceeded 90% nationally, in some rural areas and indigenous reserves (comarcas), coverage was around 71.4% for energy and 78% for water. **The inequity of access was one of the factors driving the high level of inequality between urban and rural areas.**

**Objective:** The objective of the project was **to contribute to the sustainability of the energy sector, increase coverage, and improve management of water supply and sanitation (W&S) services** through a series of policy reforms especially with respect to the regulatory and institutional framework of the energy and W&S sectors.

**Expected Results:** The larger share of **renewable energy and introduction of natural gas will reduce power generation operating costs and lower electricity prices**, which will bring a positive effect on consumer income and **enhance Panama's competitiveness**. By 2030, the entire population will benefit because 100% of households are expected to have 24/7 access to drinking water, and 100% of urban households are expected to have access to sanitary sewerage.



Loan	Public Utilities Sustainable Development Support Program (PN-L1145)
Sector	Energy
Loan Amount	USD300.0 million

For more information:

<https://www.iadb.org/en/project/PN-L1145>





SUSTAINABILITY REPORT 2018

## Climate Change and Sustainable Development

Sustainable Infrastructure – IADB fosters sustainability at the project level applying the 4 principles of sustainability: Economic and Financial, Environmental, Social and Institutional:

- Sustainable Cities
- Natural Capital
- Sustainable Islands
- Environment and Social Safeguards

## IADB Sustainability Ratings:

DZ Bank Seal of Quality for Sustainability in 2018

ISS-oekom research AG rated IADB “prime” in 2018

Sustainalytics scored IADB 73 out of 100 points (ranked 3rd out of 80 rated banks) in 2011



Inter-American  
Development Bank

SUSTAINABILITY REPORT 2017  
Global Reporting Initiative Annex



# IADB AND THE SUSTAINABLE DEVELOPMENT GOALS

## Sustainability at Home



Since 2007

- Partnered with the United States Environmental Protection Agency (EPA)
- 100% of energy used in IDB's headquarters facilities from renewable source



Since 2007

- Partnered with EPA and US Department of Energy
- Protect environment through energy efficient products and practices



- IADB Washington DC headquarter facilities are LEED gold-certified
- IADB country offices in Brazil, Peru, Costa Rica and Panama have also received LEED certifications



Since 2016

- First regional development bank to earn EDGE certification for gender equality
- Edge Certification assesses the organization's performance on terms of equal pay for equal work and promotion, leadership development and mentoring, flexible working arrangements, and company culture.



*Corporate Sustainability*

*Program*

## Efficient Lighting

IADB headquarters replaced more than 3,300 high-use fixtures with LEDs, generating a cumulative savings of 1.2 million kilowatt-hours

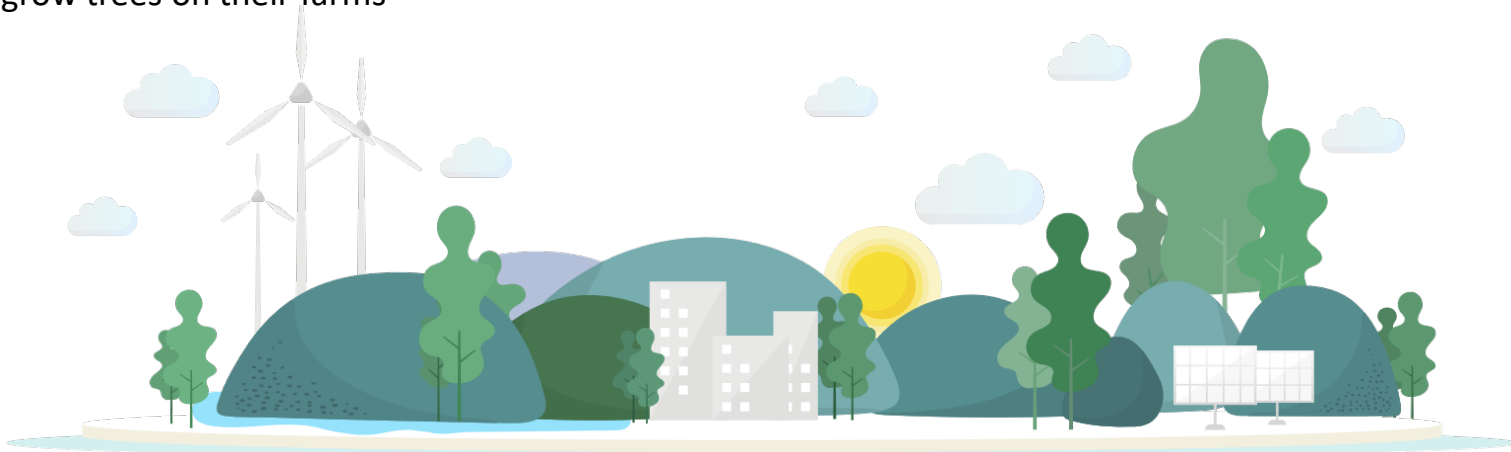
## Solar energy

On-site plants in IDB offices in Brazil and Bahamas meet approximately 20% of energy needs

## Carbon Neutral since 2007

In 2018, IADB emitted approximately 25,100 tons of CO2 equivalent which was offset by:

1. Renewable energy credits
2. Verified emission reductions (VERS) from projects in Latin America and the Caribbean: investments included the largest wind farm in Argentina; community reforestation initiative in Nicaragua supporting local farmers to grow trees on their farms







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