**Project abstract**

The proposed Facility supports an approximate US$200 million A/B loan (the “IDB Loan”) to support renewable energy, energy efficiency, cleaner production and carbon credit generation projects (“green”) in Latin America and the Caribbean (“LAC”). The IDB would provide a senior unsecured A Loan of up to US$100 million (the “IDB A Loan”) to Banco Itaú BBA S.A. (“Itaú”), acting through its Nassau Branch. The Nassau Branch was selected because it can originate and structure loans to all countries in LAC to ensure country and company diversification.

It is anticipated that the A Loan will be complemented by a B Loan estimated at approximately US$100 million to be funded through the sale of participations to commercial lenders.

This project will promote the growth of the IDB’s “green” portfolio, and the intended loan to Itaú will go beyond a traditional A loan to the Brazilian bank. As the financing will target environmentally-friendly sectors such as renewable energy, energy efficiency, cleaner production and carbon credit generation, it is considered a planetBanking Green Line. As such, the IDB will require that Itaú adheres to sector-specific eligibility criteria and completes an annual sustainability report, which requires certain metrics to ensure positive environmental impact. Such eligibility criteria and reporting will make sure that steps are taken to guarantee that investments maximize their social and environmental results through the provision of IDB financing. Also, this line provides long-term financing (up to 7 years), which is not common in the Latin American market but imperative to realizing investments in renewable energy, energy efficiency, among others which have longer life cycles. This may strengthen the financing landscape and competitiveness in the region and ideally encourage other financiers to provide such long-term financing in Latin America. The project will also be diversified across several countries in Latin America, including Chile, Paraguay, Uruguay and others. These markets have an unmet financing gap for environmentally-friendly projects. The IDB, through this line, seeks to have a demonstration effect on other banks in the region, leading by example, showing that banking in the region must go beyond traditional risk assessment models and include processes that allow investors to maximize their impact.

The transaction is well-aligned with the IDB’s General Capital Increase sector priorities and the “Strategy for Climate Change Action.” Also, it contributes to SCF’s strategic target of supporting climate-friendly investments of US$10 billion by 2015. SCF’s financial markets approach has prioritized “green” investments in recent years, approving nine loans valued at US$245 million to regional financial institutions. This transaction is directly aligned with the beyondBanking program which recognizes the role of financial institutions (“FIs”) to promote corporate change and which seeks to balance financial with non-financial returns in order to foster an inclusive, environmentally-friendly and transparent financial sector. beyondBanking encompasses six priority areas, and this project is aligned with the goals of the planetBanking pillar – a program area which aims to mitigate climate change by identifying environmentally-friendly investment opportunities and reducing the direct and indirect footprint of FIs.