

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	COLOMBIA/CAN - Andean Group
▪ TC Name:	Conductive Financing Frameworks and Instruments in Sustainable Infrastructure in Colombia
▪ TC Number:	CO-T1674
▪ Team Leader/Members:	DEMICHELIS, JOSE FRANCISCO (IFD/CMF) Team Leader; FRISARI, GIOVANNI LEO (CSD/CCS) Alternate Team Leader; MARTINEZ ALVAREZ, JUAN (IFD/CMF) Alternate Team Leader; LUIS RESTREPO OSORIO (IFD/CMF); ACEVEDO CALLE, DANIELA (LEG/SGO); MARTINEZ LOPEZ, CYNTHIA (IFD/CMF); HERTZ, KAI (ORP/GCM); IRIGOYEN, JOSE LUIS (INE/ENE); ISABELLA ESPANA QUEZADA (IFD/CMF)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	05 May 2022
▪ Beneficiary:	Superintendency for the Financial Sector in Colombia (SFC), FDN & FINDETER
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$800,000.00
▪ Local counterpart funding:	US\$77,000.00 (In Kind)
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms
▪ Prepared by Unit:	IFD/CMF - Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	IFD/CMF - Connectivity Markets and Finance Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation

II. Objective and Justification

- 2.1 The objective of this TC is to foster innovation within the financial system, by supporting the financial supervisor to consolidate sustainable infrastructure finance ecosystem in Colombia. The Program works on paving the way to eliminate all potential barriers that hinder bankability of a pipeline of sustainable projects. It will help to mobilize investment in infrastructure to achieve strong, inclusive, and balanced economic growth that will set Colombia on a more sustainable and inclusive development path.
- 2.2 Even though Colombia has advanced notably in sustainable finance for infrastructure, there are some key interventions that can accelerate the origination of more sustainable projects at upstream level. NDBs and the public financial system could provide a safe ground to test and implement innovative mechanisms, that can anchor the development of sustainable infrastructure. Due to the mandate of the national public banks to facilitate operations that usually are not financed by private banks, the development of such mechanisms and tools can improve the bankability of projects to leverage private investment. The Government of Colombia has made a commitment towards sustainable development during the last years, the implementation path is described by policy document of the public National Council for Economic Policy and

Social - CONPES . To develop this plan the financial sector has been promoting the development of the Protocol Green through strategies to improve sustainability within the public and private banking sector. The SFC recognizes the role of the financial system in promoting environmental and social sustainability and it seeks to include within of the supervisor's regulatory agenda, initiatives that strengthen the practices of the financial system towards sustainable development. SFC first effort to mobilize the financial sector towards sustainable development was the publication of the official position of the SFC on green finance and climate risks. In this document plans were established on climate change and green finance agendas, including specific issues related to the inclusion of Environmental, Social and Corporate Governance - ESG criteria in investor decision making institutions. In addition, the SFC also worked on the promotion of green bonds in the private sector through the definition of regulation and taxonomy. The regulation issued to boost issuers and financial institutions to commit disclosure of information related to ESG matters, moreover the SFC has developed pilots and tests of new methodological tools for the identification and climate risk measurement. The SFC have been working a lot in outreach with different stakeholders in 2019 the SFC was accepted as member of Greening the Financial System - NGFS, becoming the first authority of financial supervision of the region to enter to the network. The IDB has also identified a comprehensive programme to address these market barriers that combines technical assistance (including at the country partnership level) with concessional financing from BEIS from the UKSIP fund.

III. Description of Activities and Outputs

- 3.1 **Component I: Enabling Sustainable Infrastructure ecosystem with the Superintendence for Financial Sector (SFC).** The activities planned for this component with the SFC are: (i) develop a financial facility to promote eligible issuers and loan borrowers to cover transactional costs in green/sustainable bond issuance. (ii) strengthening capacities in climate risks in the financial sector including pension funds, and financial institutions. (iii) improvement of sustainable finance taxonomy and toolkits, guidelines for KPI-linked bonds and transition bonds, and capacity building.
- 3.2 **Component II: Direct support to National Development Banks (NDBs) with FINDETER and FDN to foster innovation in sustainable infrastructure.** This intervention will support sustainable infrastructure pilots in key projects to generate credibility and trust in the markets is key to achieve better replicability and scale. The objective of this component is the generation of new lending processes, methodologies for credit assessment and technical assistance are needed to promote crucial interventions in NDB.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Enabling Sustainable Infrastructure ecosystem with the Superintendence for Financial Sector (SFC)	US\$370,000.00	US\$37,000.00	US\$407,000.00
Direct support to National Development Banks (NDBs) with FINDETER and FDN to foster innovation in sustainable infrastructure	US\$430,000.00	US\$40,000.00	US\$470,000.00
Total	US\$800,000.00	US\$77,000.00	US\$877,000.00

V. Executing Agency and Execution Structure

- 5.1 The TC will be executed by IDB in coordination with IDB Invest. The IDB team will consist of a team of three staff members who lead the process of the unique component within the Connectivity Markets and Finance (IFD/CMF) Division. Additionally, the CMF team will be accompanied by a group of consultants. The Bank through CMF/IFD will be the executing agency of the project with close collaboration with the SFC, FINDETER and FDN. The Bank will coordinate and engage with the main stakeholders from the beginning of the implementation of the TC, seeking feedback and regularly presenting and discussing progress report.
- 5.2 The beneficiaries have requested that the Bank execute the TC. The Bank has the required experience in executing TC from the donor and the technical capacity to duly and timely execute the activities from this project. Furthermore, the Bank is considered to have the adequate systems to guarantee the proper execution of the operation and ensure the sustainability of the implementation of the project in line with the "Operational Guidelines for Technical Cooperation Products" (GN-2629-1) and Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4 Annex II, C 2.2). Likewise, the TC team has the necessary experience to ensure compliance with the relevant procurement policies and procedures.

VI. Project Risks and Issues

- 6.1 The overall project risk is low to medium considering longstanding track record of the beneficiaries' previous positive experience with IDB. The main risk in the TC is the potential delay arising from the coordination with multiple stakeholders. This risk will be mitigated by involving the counterpart from the beginning of the implementation of the TC, seeking feedback and regularly presenting and discussing progress report.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".