

## TERMS OF REFERENCE

REGIONAL

RG-T3554

*Financial and Legal Structuring of New Thematic Financial Solutions in Latin America and the Caribbean*

### **Consultancy for legal and/or financial services for the structuring of thematic bonds in Latin America and the Caribbean**

#### **1. Background and Justification**

The Inter-American Development Bank (IDB) is the largest and leading source of multilateral financing in Latin America and the Caribbean (LAC). The IDB works, through collaboration with governments, public and private institutions and civil society organizations, to develop strategies and programs for the development of its member countries.

As recognized in the 2019 Global Sustainable Development Report of the United Nations (UN), economic growth has been historically an important tool for increased national incomes, albeit unevenly, across countries. While contributing to advances in human, social and economic well-being, the effects of a strictly growth-oriented agenda in societies and the environment are currently unsustainable. In this context, the UN called governments, international organizations and the private sector to work towards encouraging investments that are more strongly aligned to longer-term sustainability pathways.

In response, Socially Responsible Investors (SRI) around the world are increasingly embracing their responsibility towards a sustainable economy by incorporating environmental, social, and governance (ESG) elements into their investment decision-making

It is in this context that the Bank has foreseen an unique opportunity for Latin America and Caribbean National and Sub-National Governments, Public Banks including National Development Banks (NDBs), Public Agencies and Public Companies including Utilities from IDB borrowing-member countries to leverage their social and environmental actions to mobilize private capital for investments.

By linking a financial instrument with the ability to target specific Sustainable Development Goals (SDGs), thematic bonds have proven in other developed countries to be fitting alternative to build on the momentum for impact investment. However, they remain underutilized in LAC. The relative slower growth of the thematic bond markets in LAC seems to be largely due to less developed capital markets, but it is also affected by the lack of market awareness and, specifically, knowledge of the thematic bond structuring and issuance processes.

**Accordingly, the IDB expects to hire [legal and or financial] advisory services to support the structuring efforts of thematic bond issuances in LAC, focusing primarily on Sustainability and SDG Bonds.**

## **2. Objectives**

The purpose of this consultancy is to provide [legal and/or financial] advice on the structuring of a thematic bond issuance for [beneficiary] in [country].

## **3. Scope of Services**

The IDB requests the proposal for [legal and/or financial] advice as stated in the objective and which should be divided into two phases: 1) Diagnostic; and 2) Recommendation.

## **4. Key Activities**

The selected firm will be required to perform the following activities:

Activity 1 – Participate in a Kick-off meeting with the [Beneficiary] and the IDB focused on understanding the [beneficiary] funding needs and challenges;

Activity 2 – Prepare a diagnostic report containing (“Diagnostic Report”):

- Analysis of the legal personality of the [Beneficiary] as an issuer;
- Assessment of the financial viability of (i) a domestic fixed income emission and (ii) an international fixed income emission;
- Analysis of financial instruments available in the [targeted capital market] to identify compatible instruments for a thematic issuance, considering the {Beneficiary} portfolio characteristics and legal personality;
- Identification of possible issuances and their requirements;
- Identification of issuance costs and the need for credit enhancement features;

Activity 3 – Upon submitting the Diagnostic Report, participate in a Review Meeting with the [Beneficiary] and the IDB to receive comments, suggestions and agree on aspects that would require a deeper analysis;

Activity 4 – Prepare recommendations (“Final Report”) with the ideal structuring elements to meet the [Beneficiary’s] needs, considering all criteria such as legal / financial viability / complexity, costs and other factors that may be relevant to the scope of the thematic bond issuance

## **5. Expected Outcome and Deliverables**

Diagnostic Report: indicating all aspects listed in Activity 2;

Final Report: further developing the Diagnostic Report listed in Activity 2 with all suggestions obtained as a result of the meetings held with the Beneficiary and clear, detailed structuring recommendations for the issuance.

## **6. Project Schedule and Milestones**

At the beginning of the consultancy, the selected firm will provide a working plan proposal including a project schedule and milestones. This working plan will have to be approved by the IDB and the [Beneficiary].

## **7. Reporting Requirements**

The deliverables shall be submitted both to the IDB and the [Beneficiary] according to the project schedule and in the format agreed to in working plan.

## **8. Acceptance Criteria**

Reports will be open for review and comment by the [Beneficiary] and the IDB. Will be considered accepted once comments made are met as formally accepted by both parties.

## **9. Supervision and Reporting**

The [Beneficiary] through the appointed technical focal point will be responsible for submitting all documents requested by the selected firm for the performance of the consultancy services. Prior to the submission of the documents by the [Beneficiary], the contractor agrees that he / she shall sign a Confidentiality Agreement, committing to the confidentiality of the work and dealing with information considered confidential.

The technical responsibility and supervision of the consultancy will be in charge of Rafael Cavazzoni Lima, Financial Markets Lead Spec, IFD/CMF (202.623.2267; [rlima@iadb.org](mailto:rlima@iadb.org)), and Maria Netto, Financial Markets Lead Spec, IFD/CMF (202.623.2009; [mnetto@iadb.org](mailto:mnetto@iadb.org)). All the activities of the consultancy will be coordinated with the IDB.

## **10. Schedule of Payments**

Payment terms will be based on the project stages and the results obtained. The amounts will be paid within 30 calendar days of delivery of the reports indicated in item 5.

The IDB Official Exchange Rate indicated in the RFP will be applied for the required local currency payment conversions.

<b>Payment Schedule</b>	
<b><i>Deliverables</i></b>	<b>%</b>
Diagnostic Report	40%
Final Report	60%
<b>TOTAL</b>	<b>100%</b>

## TERMS OF REFERENCE

REGIONAL

RG-T3554

*Financial and Legal Structuring of New Thematic Financial Solutions in Latin America and the Caribbean*

### **Consultancy for the preparation of thematic bond framework in Latin America and the Caribbean**

#### **1. Background and Justification**

The Inter-American Development Bank (IDB) is the largest and leading source of multilateral financing in Latin America and the Caribbean (LAC). The IDB works, through collaboration with governments, public and private institutions and civil society organizations, to develop strategies and programs for the development of its member countries.

As recognized in the 2019 Global Sustainable Development Report of the United Nations (UN), economic growth has been historically an important tool for increased national incomes, albeit unevenly, across countries. While contributing to advances in human, social and economic well-being, the effects of a strictly growth-oriented agenda in societies and the environment are currently unsustainable. In this context, the UN called governments, international organizations and the private sector to work towards encouraging investments that are more strongly aligned to longer-term sustainability pathways.

In response, Socially Responsible Investors (SRI) around the world are increasingly embracing their responsibility towards a sustainable economy by incorporating environmental, social, and governance (ESG) elements into their investment decision-making

It is in this context that the Bank has foreseen an unique opportunity for Latin America and Caribbean National and Sub-National Governments, Public Banks including National Development Banks (NDBs), Public Agencies and Public Companies including Utilities from IDB borrowing-member countries to leverage their social and environmental actions to mobilize private capital for investments.

By linking a financial instrument with the ability to target specific Sustainable Development Goals (SDGs), thematic bonds have proven in other developed countries to be fitting alternative to build on the momentum for impact investment. However, they remain underutilized in LAC. The relative slower growth of the thematic bond markets in LAC seems to be largely due to less developed capital markets, but it is also affected by the lack of market awareness and, specifically, knowledge of the thematic bond structuring and issuance processes.

**Accordingly, the IDB expects to hire portfolio screening advisory services to support the preparation of a thematic bond frameworks in LAC, focusing primarily on Sustainability and SDG Bonds.**

#### **2. Objectives**

The purpose of this consultancy is to support the [Beneficiary] in: (i) carrying out an analysis of its existing portfolio, in order to determine a potential sub-portfolio susceptible to be securitized in a

thematic bond issuance and (ii) help the beneficiary in preparing a thematic framework in order to facilitate the second party review and certification. The work shall be based on the relevant international and market standards, when relevant.

### **3. Scope of Services**

The IDB requests the proposal for technical advice as stated in the objective and which should be divided into two phases: 1) Diagnostic; and 2) Preparation of Framework.

### **4. Key Activities**

The selected firm will be required to perform the following activities:

Activity 1 – Participate in a Kick-off meeting with the [Beneficiary] and the IDB focused on understanding the [beneficiary] needs and challenges;

Activity 2 – Prepare a diagnostic report containing (“Diagnostic Report”):

- Perform an institutional diagnostic of the [Beneficiary’s] activities related to financing projects aligned with the SDGs, and the way in which it generates portfolio in this type of projects and operate this line of business.
- Propose a clear definition of what constitutes the thematic portfolio and/or eligible projects.
- Carry out an analysis of the existing information systems in order to see how the identification and monitoring of the eligible projects is done or should be done, paving the way to smooth compliance with thematic bond common reporting requirements.

Activity 3 – Upon submitting the Diagnostic Report, participate in a Review Meeting with the [Beneficiary] and the IDB to receive comments, suggestions and agree on aspects that would require a deeper analysis;

Activity 4 – Draft the thematic bond framework to be presented for second party review and/or certification (“Framework”).

### **5. Expected Outcome and Deliverables**

Diagnostic Report: indicating all aspects listed in Activity 2;

Framework: ready to be submitted to a second party reviewer.

### **6. Project Schedule and Milestones**

At the beginning of the consultancy, the selected firm will provide a working plan proposal including a project schedule and milestones. This working plan will have to be approved by the IDB and the [Beneficiary].

### **7. Reporting Requirements**

The deliverables shall be submitted both to the IDB and the [Beneficiary] according to the project schedule and in the format agreed to in working plan.

## 8. Acceptance Criteria

The Diagnostic Report and the Framework will be open for review and comment by the [Beneficiary] and the IDB. Will be considered accepted once comments made are met as formally accepted by both parties.

## 9. Supervision and Reporting

The [Beneficiary] through the appointed technical focal point will be responsible for submitting all documents requested by the selected firm for the performance of the consultancy services. Prior to the submission of the documents by the [Beneficiary], the contractor agrees that he / she shall sign a Confidentiality Agreement, committing to the confidentiality of the work and dealing with information considered confidential.

The technical responsibility and supervision of the consultancy will be in charge of Rafael Cavazzoni Lima, Financial Markets Lead Spec, IFD/CMF (202.623.2267; [rlima@iadb.org](mailto:rlima@iadb.org)), and Maria Netto, Financial Markets Lead Spec, IFD/CMF (202.623.2009; [mnetto@iadb.org](mailto:mnetto@iadb.org)). All the activities of the consultancy will be coordinated with the IDB.

## 10. Schedule of Payments

Payment terms will be based on the project stages and the results obtained. The amounts will be paid within 30 calendar days of delivery of the reports indicated in item 5.

The IDB Official Exchange Rate indicated in the RFP will be applied for the required local currency payment conversions.

Payment Schedule	
<i>Deliverables</i>	<i>%</i>
Diagnostic Report	40%
Framework	60%
<b>TOTAL</b>	<b>100%</b>

## TERMS OF REFERENCE

REGIONAL

RG-T3554

*Financial and Legal Structuring of New Thematic Financial Solutions in Latin America and the Caribbean*

### **Consultancy for providing specialized second opinion on the evaluation and selection of thematic portfolios in Latin America and the Caribbean**

#### **1. Background and Justification**

The Inter-American Development Bank (IDB) is the largest and leading source of multilateral financing in Latin America and the Caribbean (LAC). The IDB works, through collaboration with governments, public and private institutions and civil society organizations, to develop strategies and programs for the development of its member countries.

As recognized in the 2019 Global Sustainable Development Report of the United Nations (UN), economic growth has been historically an important tool for increased national incomes, albeit unevenly, across countries. While contributing to advances in human, social and economic well-being, the effects of a strictly growth-oriented agenda in societies and the environment are currently unsustainable. In this context, the UN called governments, international organizations and the private sector to work towards encouraging investments that are more strongly aligned to longer-term sustainability pathways.

In response, Socially Responsible Investors (SRI) around the world are increasingly embracing their responsibility towards a sustainable economy by incorporating environmental, social, and governance (ESG) elements into their investment decision-making

It is in this context that the Bank has foreseen an unique opportunity for Latin America and Caribbean National and Sub-National Governments, Public Banks including National Development Banks (NDBs), Public Agencies and Public Companies including Utilities from IDB borrowing-member countries to leverage their social and environmental actions to mobilize private capital for investments.

By linking a financial instrument with the ability to target specific Sustainable Development Goals (SDGs), thematic bonds have proven in other developed countries to be fitting alternative to build on the momentum for impact investment. However, they remain underutilized in LAC. The relative slower growth of the thematic bond markets in LAC seems to be largely due to less developed capital markets, but it is also affected by the lack of market awareness and, specifically, knowledge of the thematic bond structuring and issuance processes.

**Accordingly, the IDB expects to hire a second party opinion provider to support the issuance of thematic bonds in LAC, focusing primarily on Sustainability and SDG Bonds.**

#### **2. Objectives**

The purpose of this consultancy is to support the [Beneficiary] in obtaining an independent assessment of the integrity of the framework, capacity, information and criteria used to structure

a thematic bond, which will contribute to reassure investors that the such bond will meet intended international and market standards, when relevant.

### **3. Scope of Services**

The IDB requests the proposal for technical advice as stated in the objective for the issuance of an independent second party opinion report.

### **4. Key Activities**

The selected firm will be required to perform the following activities:

Activity 1 – Provide an independent review (“Second Party Opinion”) of the set of activities related to the development and placement of the thematic bonds, which may include one or a combination of the following:

- Assessment of the issuer ‘s sustainability performance;
- Revision of use of proceeds criteria, management and reporting commitments;
- Review of the transparency and accuracy of the procedures for selecting projects and the associated loans to be included in the bond;
- Qualitative assessment of the portfolio and verification of alignment with International Standards
- ESG analysis of the bond and the issuer.

### **5. Expected Outcome and Deliverables**

The selected firm shall present an independent second party opinion report.

### **6. Project Schedule and Milestones**

At the beginning of the consultancy, the selected firm will provide a working plan proposal including a project schedule and milestones. This working plan will have to be approved by the IDB and the [Beneficiary].

### **7. Reporting Requirements**

The deliverables shall be submitted both to the IDB and the [Beneficiary] according to the project schedule and in the format agreed to in working plan.

### **8. Acceptance Criteria**

The final version of the independent second party opinion report will be reviewed for approval by both the IDB and the [Beneficiary]. Public disclosure of the report by the firm will be subject to authorization by the Beneficiary.

### **9. Supervision and Reporting**

The [Beneficiary] through the appointed technical focal point will be responsible for submitting all



documents requested by the selected firm for the performance of the consultancy services. Prior to the submission of the documents by the [Beneficiary], the contractor agrees that he / she shall sign a Confidentiality Agreement, committing to the confidentiality of the work and dealing with information considered confidential.

The technical responsibility and supervision of the consultancy will be in charge of Rafael Cavazzoni Lima, Financial Markets Lead Spec, IFD/CMF (202.623.2267; [rlima@iadb.org](mailto:rlima@iadb.org)), and Maria Netto, Financial Markets Lead Spec, IFD/CMF (202.623.2009; [mnetto@iadb.org](mailto:mnetto@iadb.org)). All the activities of the consultancy will be coordinated with the IDB.

#### **10. Schedule of Payments**

Payment will be realized in one transaction, for 100% of the contract value, upon delivery and approval by the IDB and the Beneficiary of the final independent second party opinion report.

The IDB Official Exchange Rate indicated in the RFP will be applied for the required local currency payment conversions.

Payment Schedule	
<i><b>Deliverables</b></i>	<b>%</b>
Second Party Opinion	100%
<b>TOTAL</b>	100%

## TERMS OF REFERENCE

REGIONAL

RG-T3554

Financial and Legal Structuring of New Thematic Financial Solutions in Latin America and the Caribbean

*[Link to the Project]*

### **Consultancy for legal and/or financial services for the structuring of a New Financial Instrument in Brazil**

#### **1. Background and Justification**

The Inter-American Development Bank (IDB) is the largest and leading source of multilateral financing in Latin America and the Caribbean (LAC). The IDB works, through collaboration with governments, public and private institutions and civil society organizations, to develop strategies and programs for the development of its member countries.

As recognized in the 2019 Global Sustainable Development Report of the United Nations (UN), economic growth has been historically an important tool for increased national incomes, albeit unevenly, across countries. While contributing to advances in human, social and economic well-being, the effects of a strictly growth-oriented agenda in societies and the environment are currently unsustainable. In this context, the UN called governments, international organizations and the private sector to work towards encouraging investments that are more strongly aligned to longer-term sustainability pathways.

In response, Socially Responsible Investors (SRI) around the world are increasingly embracing their responsibility towards a sustainable economy by incorporating environmental, social, and governance (ESG) elements into their investment decision-making

It is in this context that the Bank has foreseen a unique opportunity for Brazilian National Development Banks and regional development agencies to leverage their social and environmental actions to mobilize private capital for investments. By linking a financial instrument with the ability to target specific Sustainable Development Goals (SDGs), thematic bonds have proven in other developed countries to be fitting alternative to build on the momentum for impact investment.

However, they remain underutilized in Brazil, particularly due to regulatory constraints limiting the issuance of these types of instruments by NDBs and regional development agencies. Therefore, the IDB has begun a process of dialogue with these financial institutions through the *Associação Brasileira de Desenvolvimento – ABDE* (the Brazilian Development Association) to support their efforts in improving sources of finance for their associated institutions, aimed at boosting SDG-linked investments in the country

**Accordingly, the IDB expects to hire [legal and or financial] advisory services to support the development of a new financial instrument in Brazil, to be structured following a covered bond concept that NDBs and regional development agencies will be able to offer in the capital markets in order to leverage their SDG-linked loan portfolios and obtain**

**financing with improved financial terms and conditions.****2. Objectives**

The purpose of this consultancy is to provide [legal and/or financial] advice on the structuring of a new financial instrument to be issued by the NDBs and regional development agencies in Brazil

**3. Scope of Services**

The IDB requests the proposal for [legal and/or financial] advice as stated in the objective and which should be divided into three phases: 1) Diagnostic; 2) Market Sounding and 3) Implementation.

**4. Key Activities**

The selected firm will be required to perform the following activities:

Activity 1 – Participate in a Kick-off meeting with the [Beneficiary] and the IDB focused on understanding the funding needs of NDBs and regional development agencies in Brazil;

Activity 2 – Prepare a diagnostic report containing (“Diagnostic Report”):

- Analysis of financial instruments available in Brazil (i.e. LCA, LCI, CRA, CRI, Structured LF, LIG) to identify compatible instruments for a thematic issuance;
- Assessment of the financial viability of a domestic fixed income emission using a covered bond concept linked to SDGs;
- Identification of legislation and regulatory changes and innovations necessary for the creation of a new financial instrument linked to SDGs in Brazil.

Activity 3 – Organize and hold meetings/interviews with up to (03) three market participants to present the Diagnostic Report and receive comments, suggestions and identify areas for further analysis;

Activity 4 – Drafting of a legislation and/or other infra-legal regulation required to create a new financial instrument linked to SDGs in Brazil, accompanied by a document (“Intermediate Report”) with a description of the elements used to create such proposals, as well as the justifications and motivations applicable.

Activity 5 – Organize and hold meetings/interviews with representatives of the Brazilian Securities Commission - CVM and the Central Bank of Brazil - BACEN to present and validate the proposed new financial instrument;

Activity 6 – Finalize the legislation and/or other infra-legal regulation necessary to create a new financial instrument linked to SDGs in Brazil, according to the result of the meeting with the Brazilian regulators, accompanied by a document (“Final Report”) with a description of the elements used to create such proposals, as well as the justifications and motivations applicable.

## **5. Expected Outcome and Deliverables**

Diagnostic Report: indicating all aspects listed in Activity 2;

Intermediate Report: indicating all aspects listed in Activity 4;

Final Report: indicating all aspects listed in Activity 6.

## **6. Project Schedule and Milestones**

At the beginning of the consultancy, the selected firm will provide a working plan proposal including a project schedule and milestones. This working plan will have to be approved by the IDB and the [Beneficiary].

## **7. Reporting Requirements**

The deliverables shall be submitted both to the IDB and the [Beneficiary] according to the project schedule and in the format agreed to in working plan.

## **8. Acceptance Criteria**

Reports will be open for review and comment by the [Beneficiary] and the IDB. Will be considered accepted once comments made are met as formally accepted by both parties.

## **9. Supervision and Reporting**

The [Beneficiary] through the appointed technical focal point will be responsible for submitting all documents requested by the selected firm for the performance of the consultancy services. Prior to the submission of the documents by the [Beneficiary], the contractor agrees that he / she shall sign a Confidentiality Agreement, committing to the confidentiality of the work and dealing with information considered confidential.

The technical responsibility and supervision of the consultancy will be in charge of Rafael Cavazzoni Lima, Financial Markets Lead Spec, IFD/CMF (202.623.2267; [rlima@iadb.org](mailto:rlima@iadb.org)), and Maria Netto, Financial Markets Lead Spec, IFD/CMF (202.623.2009; [mnetto@iadb.org](mailto:mnetto@iadb.org)). All the activities of the consultancy will be coordinated with the IDB.

## **10. Schedule of Payments**

Payment terms will be based on the project stages and the results obtained. The amounts will be paid within 30 calendar days of delivery of the reports indicated in item 5.

The IDB Official Exchange Rate indicated in the RFP will be applied for the required local currency payment conversions.

Payment Schedule	
<i>Deliverables</i>	%
Diagnostic Report	20%
Intermediate Report	30%
Final Report	50%
<b>TOTAL</b>	100%