



## **CTF – DPSP (V-FUTURES)**

**PROJECT TITLE: IDBG CLIMATE INNOVATION REGIONAL PROGRAM**

**COUNTRY: REGIONAL**

**MDB: INTER-AMERICAN DEVELOPMENT BANK GROUP**

Cover Page for CTF Project/Program Approval Request Dedicated Private Sector Programs (DPSP (V-FUTURES))			
Country/Region	All CIF eligible countries in Latin America and the Caribbean	CIF Project ID#	PCTFRG076A
Type of CIF Investment:	<input type="checkbox"/> Public <input checked="" type="checkbox"/> Private		
Project/Program Title (same as in CCH)	IDBG Climate Innovation Regional Program		
Sector/Pillar	<input checked="" type="checkbox"/> Enabling Environment <input checked="" type="checkbox"/> Energy Efficiency <input checked="" type="checkbox"/> Energy Storage <input checked="" type="checkbox"/> Renewable Energy <input checked="" type="checkbox"/> Renewable Energy/ Energy Efficiency <input checked="" type="checkbox"/> Transport		
Technology/Area	<input type="checkbox"/> End Use <input type="checkbox"/> District Heating <input type="checkbox"/> Smart Grid <input type="checkbox"/> Capacity Building <input checked="" type="checkbox"/> Multiple <input type="checkbox"/> Batteries <input type="checkbox"/> Hydro <input type="checkbox"/> Green Hydrogen <input type="checkbox"/> Geothermal <input type="checkbox"/> Wind <input type="checkbox"/> Solar <input type="checkbox"/> Hydropower <input type="checkbox"/> Cookstoves <input type="checkbox"/> Waste to Energy <input type="checkbox"/> Bioenergy <input type="checkbox"/> Mixed RE <input type="checkbox"/> Green Fuels <input type="checkbox"/> Modal Shift <input type="checkbox"/> Vehicle Technologies <input type="checkbox"/> Mass Transit <input type="checkbox"/> Electric Vehicles <input type="checkbox"/> Other (_____)		
Project Lifetime (MDB board approval to project closure)	Investment Period (3y) + up to 20y tenors		
Is this a private sector program composed of sub-projects?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Financial Products, Terms and Amounts (same as CCH)			
Financial Product	USD (million)	EUR (million) <sup>[b]</sup>	
Grant	3.0		
MPIS	1.0		
Public sector loan – Senior loan			
First loss guarantee	5.0		
Second loss guarantee			
Equity	10.0 <sup>1</sup>		
Senior loan	5.0 <sup>2</sup>		

<sup>1</sup> Includes the allocation of US\$ 5.0 million to the IDB Lab Equity for Development Fund (E4DF).

<sup>2</sup> Except for the US\$ 3.0 million allocated as grants for technical assistance and capacity building and the US\$ 5.0 million equity investment allocated under the IDB Lab Window, the allocations to the different instruments are indicative.

Senior loan in local currency hedged		
Senior loan in local currency unhedged ( <b>EXCEPTIONAL REQUEST</b> )		
Subordinated debt/loan/ mezzanine instrument with income participation		
Subordinated debt/loan / mezzanine instrument with income participation local currency unhedged ( <b>EXCEPTIONAL REQUEST</b> )		
Subordinated debt/loan /mezzanine instrument with convertible features <sup>3</sup>	5.0	
'Convertible/contingent recovery' grant/loan/guarantee (loans convertible to grants or vice versa)		
Convertible Loans (convertible to equity only)		
For loans and guarantees – is this a revolving structure? <input type="checkbox"/>		
Yes <input checked="" type="checkbox"/> No		
<b>Specify local currency type here</b>		
Other (please specify)		
<b>Total</b>		
<b>CIF Financial Terms and Conditions Policy</b>	<a href="#">Link</a> Is this request in accordance with the CIF Financial Terms and Conditions Policy?  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (if no, please specify detailed information under the justification section)	
<b>Justification (exceptional request)</b>		
<b>Implementing MDB(s)</b>		
MDB Headquarters-Focal Point:	Gloria Visconti ( <a href="mailto:gloriav@iadb.org">gloriav@iadb.org</a> )	
MDB Task Team Leader (TTL)	Joan Miquel Carrillo (IDB Invest Blended Finance, <a href="mailto:joanc@iadb.org">joanc@iadb.org</a> ) Julian Gonzalez (IDB Invest Advisory Services, <a href="mailto:juliang@iadb.org">juliang@iadb.org</a> ) Daniel Perez (IDB Lab Investment, <a href="mailto:danielpg@iadb.org">danielpg@iadb.org</a> )	
<b>National Implementing Agency:</b>		
		n/a
Country Focal Point/s		n/a
<b>Brief Description of Project/Program (including objectives and expected outcomes)</b>		

<sup>3</sup> Convertible features meaning convertibility to equity investments

To achieve the climate mitigation and adaptation objectives of the Paris Agreement, every sector of the global economy needs to transform. Innovation in decarbonization-enabling technologies or those enabling the electrification of other sectors, becomes necessary to unlock the net-zero pathways. Investments in climate innovation can drive significant economic and development benefits, including increased productivity and job creation.

The IDB Group is proposing the Climate Innovation Regional Program (the “CIRP” or the “Program”) for the private sector expanding the scope of the i3-0 Programs with (i) **early-stage climate innovation** with an IDB Lab window aligned with the rationale of the [CIF Climate Ventures Window](#), (ii) **a demonstration of the commercial viability of emerging decarbonization technologies and business models**, and (iii) an **enhanced use of Technical Assistance (TA)** to support climate innovation across each stage of the commercial sustainability cycle.

The CIRP will be composed of 3 windows that will establish a coherent intervention using blended finance resources throughout the stages of the commercial sustainability cycle of climate innovation across IDB Invest and IDB Lab.

- a) The Technical Assistance Window (**US\$ 3.0 million**)
- b) The IDB Lab early-stage Climate Innovation Window (**US\$ 5.0 million**)
- c) The IDB Invest Blended Finance Climate Innovation Scale Up Window (**US\$ 20.0 million**)

#### **A. The Technical Assistance Window**

Each stage of the commercial sustainability cycle requires different types of enhanced capacities and financing instruments. In addition to the role played by blended finance, technical assistance (TA) resources bridge the knowledge gap, support project preparedness, and develop local technical capacity across the cycle.

In private sector projects, TA supports knowledge generation, advisory, and capacity building to facilitate investment in high-impact projects and enterprises. In more mature markets that require first loss structures to enable crowding in of commercial capital, TA can serve as an enabler to generate data and information needed for the prospective investors’ decision-making process. Similar to blended finance, TA is crucial to compensate uncertainty, increased risk, or higher upfront costs associated with investments in innovative and clean technologies, and to ensure the resilience of investments. Furthermore, TA is often instrumental in originating investment opportunities, facilitating the investment decision, reducing risk and uncertainty in projects related to disruptive technologies, and facilitating leapfrogging for emerging markets via knowledge transfer and best practice adoption from developed markets.

The CIRP will include a **US\$ 0.5 million TA Window** under the management of IDB Lab and a **US\$ 2.5 million TA Window** to be managed by IDB Invest Advisory Services. A tentative use of funds includes impact evaluations, origination support, pre-feasibility/feasibility studies, ancillary activities for project support, and promotional activities, among others.

## B. The IDB Lab early-stage Climate Innovation Window

Early-stage financing of private sector innovations is crucial for sustainable and scalable innovation for Zero Carbon technology and for climate action/resilient development. However, according to the Latin America VC Association Report 2022-1H, only 2% of Venture funding in the first half of 2022 went to clean technology and related areas in LAC (vs. 32% in FinTech).

The **Equity for Development Fund** (“E4DF”, or the “Fund”) by [IDB Lab](#) – IDB Group’s Venture Arm – aims to help closing this gap by **mobilizing private and public sector funding to innovative tech startups that solve key climate challenges in LAC**. The fund will invest tickets from US\$1.0 million to US\$3.0 million using equity and quasi-equity instruments<sup>4</sup> in “market take-off” stage start-ups, always co-investing in a VC financing round with qualified investors.<sup>5</sup> With this, E4DF has a target mobilization ratio of 1:4,<sup>6</sup> aiming for up to US\$ 180.0 million in third-party mobilization in all invested companies by the whole Fund.<sup>7</sup>

**At least 80%** of startups invested by E4DF will be invested in solutions that contribute to climate resilient development and mitigation, including CIF thematic areas Clean Energy, Clean Mobility, Emerging Clean Technology, among others.

The E4DF will be managed as a multidonor trust fund<sup>8</sup>, mobilizing other institutional investor resources such as the [Korea Venture Investment Corp.](#)<sup>9</sup> – a sovereign wealth fund of Republic of Korea that has already committed its participation as the Anchor Investor. IDB Lab is in active conversation with other potential Investors, such as Nordic Development Fund, among others. The Fund’s target size is between US\$45-60 million, with the investment term of 12 years (Investment Period of 6 years).<sup>10</sup> IDB Lab will always co-finance E4DF investments up to a 30:70 ratio per case. IDB Lab expects an annual internal rate of return for investors in the E4DF of at least 12%.

[IDB Lab](#) will be the executing counterpart of E4DF. Since 1996, IDB Lab has invested in over 90 VC funds in the region, with an aggregate amount of US\$370 million. Through the acquired knowledge, IDB Lab has directly invested in 24 companies in LAC across 10 sectors and has exited 3 companies.

## C. The IDB Invest Blended Finance Climate Innovation Scale Up Window

The IDB Invest Blended Finance Climate Innovation Scale Up Window of the CIRP aims to support innovation through the implementation of business or financing models enabling the significant scale-up of zero-carbon technologies.

For this purpose, the IDB Invest window will support investments by providing risk-tolerant instruments (equity for growth capital, mezzanine and subordinated debt, guarantees) whose scarcity in the target markets hinders the pace of commercial penetration of the technologies.

The Program will thus seek to demonstrate the effectiveness of risk-tolerant blended finance instruments to mobilize private capital that would otherwise not participate in these types of investments.

IDB Invest’s experience with the [i3-0 Programs](#) shows that diversification in terms of sector, instruments and geographies ended up allowing to extend concessional resources under a demand-driven approach. As of September 2022, IDB Invest has already approved **US\$ 54.6 million** in **11 transactions** out of the US\$ 61.0 million available through these programs until February 2023. That provisional **89%** deployment rate in DPSP III programs compares to an historic **56%** in the portfolio of CIF programs managed by IDB Invest since its inception. These investments have already mobilized **US\$ 110 million** from IDB Invest own capital (1:2 ratio) and **US\$ 290 million** from private sector investment (1:5 ratio), for a combined investment amount of **US\$ 470 million** (1:8 ratio). Besides leverage, the portfolio of investments under the i3-0 Programs has delivered a reduction of **329,000 tons of CO2e in 2021**, 535 MW of solar PV power installed in 2 award winning transactions<sup>11</sup> and **4 transactions including a diverse set of Gender, Diversity, and Inclusion incentives**.

The CIRP will remain flexible in terms of thematic scope, cutting across the three thematic areas of CTF DPSP III (**Renewable Energy Plus, Energy Efficiency and Sustainable Transportation**) paying special attention to emerging zero-carbon technologies where the targeted use of concessional resources can play a critical role in the acceleration of their path to commercial sustainability. In that context, **the CIRP will promote transversally across its 3 windows the advance of green hydrogen in Latin America and the Caribbean** in sectors where there is a credible path towards commercial sustainability. In this frame, the availability of technical assistance resources and donor funds will become critical to support both policy dialogue and the first pilot projects in the region. Amongst others, Brazil and Colombia have already unveiled initiatives to foster their strategic position in this sector. The CIRP will prioritize the applications of green hydrogen based on the principle of minimum concessionality to support those applications better positioned to achieve financial sustainability.

The IDB Invest Blended Finance Climate Innovation Scale Up Window will remain available for investments in the growth stage using equity or mezzanine instruments **amongst the portfolio of investees of IDB Lab’s E4DF Fund** to help scale up the operations of those of them with potential to scale.

### Consistency with CTF investment criteria

<sup>4</sup> Simple Agreement of Future Equity (SAFE), Convertible Notes, and Preferred Stock.

<sup>5</sup> Some of the private Venture Capital investors that have co-invested with IDB Lab in the past are: [Valor Capital](#) (Brazil), [Global Founders Capital](#) (Germany & Global), [Clocktower Ventures](#) (USA), [DILA Capital](#) (Mexico), [ALLVP](#) (Mexico), among others.

<sup>6</sup> Each dollar invested from E4DF is expected to mobilize four dollars from third party funding.

<sup>7</sup> Four times the target fund size of US\$45M.

<sup>8</sup> Similar to the structure of ADB Venture (<https://ventures.adb.org/>), in which CIF is already an investor.

<sup>9</sup> KVIC has already showed commitment as the anchor investor of E4DF, always deploying its resources on a 40:60 basis in proportion to other Investors of the Fund.

<sup>10</sup> With a possibility of up to three one-year extensions.

<sup>11</sup> New Juazeiro Bifacial Solar Power Project (Brazil) was awarded as [ESG Energy Deal of the Year 2020](#), Americas by IJ Global while PV Llanos 3 (Colombia) won the Infrastructure [Investor Awards 2021: Latin America for the Renewables deal of the year 2021](#), as well as the Proximo’s Latin America Awards for the [Latin America Solar Deal of the year 2021](#) for “cracking the Colombian renewables puzzle with a senior-junior local currency debt package”

a. Potential for transformational change	
Relevance (strategic alignment)	See section 2.1.1
Systemic change	See section 2.1.2
Speed	See section 2.1.3
Scale	See section 2.1.4
Adaptive sustainability	See section 2.1.5
b. Potential for GHG emissions reduction/avoidance	See section 2.2
c. Potential to significantly contribute to the principles of just transition	See section 2.3
d. Financial effectiveness	See section 2.4
e. Implementation potential	See section 2.5
f. Development impact potential	See section 2.7
g. Additional costs and risk premium	See section 2.10
<b>Additional CTF investment criteria for private sector projects/ programs</b>	
h. Financial sustainability	See section 2.11.1
i. Effective utilization of concessional finance (including a detailed analysis on how the proposal meets the minimum concessionality principles, and on how it is aligned with the blended concessional finance principles)	See section 2.11.2
j. Mitigation of market distortions	See section 2.11.3
k. Risks	See section 2.11.4
<b>For DPSP projects/programs in non-CTF countries, explain consistency with FIP, PPCR, or SREP Investment Criteria and/or national energy policy and strategy.</b>	
n/a	
<b>Social Inclusion and Stakeholder Engagement</b>	

Stakeholder Engagement will take place at the project level and will follow IDBG rules and procedures.

### Gender Considerations<sup>12</sup>

#### Gender Analysis

(Please insert the text from the project document on the analysis of gaps in access to services, markets, and jobs by women in relation to the project sectors)

Despite an increase in female labor force participation in the region, gender imbalances persist in job access, with women typically gaining entry to lower-skilled, lower-paying positions. **Only 36% of women pursue careers in STEM fields, and less than 15% of new jobs in the construction and transport sectors are filled by women<sup>13</sup>.** Additionally, in the construction sector, the proportion of formally contracted female workers ranges from a mere 1% to 6%<sup>14</sup>.

**Female founders received only 2.3% of global venture capital funding in 2020<sup>15</sup>,** highlighting the stark gender disparity in investment allocation. This underrepresentation of women in the startup landscape not only deprives businesses of diverse perspectives and expertise but also hinders the growth of the entire entrepreneurial ecosystem. Furthermore, companies with diverse leadership were 21% more likely to experience above-average profitability. But when looking at LAC founding teams, they tend to be founded or hired from similar backgrounds (cultural and professional), and most LAC innovation comes from just 5 countries Brazil, Argentina, Chile, Colombia and Mexico.

<sup>12</sup> Please note that private sector interventions in subprojects under the umbrella of this program are difficult to anticipate. Any indication will need to be tailored to the reality of each subproject.

<sup>13</sup> IDB, Towards a Fair, Inclusive Transition: Employing Women in Infrastructure Projects, 2022

<sup>14</sup> IDB Invest, Making Women Welcome: the Next Challenge for Renewable Energy Construction Projects, 2022

<sup>15</sup> Teare, G., & Teare, G. (2020). Global VC Funding To Female Founders Dropped Dramatically This Year. Crunchbase News. <https://news.crunchbase.com/venture/global-vc-funding-to-female-founders/>



<p><b>Gender Activities</b> (Please insert the text describing gender-specific activities included in the project)</p>	<p>In the context of the IDB Lab Early Stage Climate Innovation Window, IDB Lab will actively coordinate with existing initiatives, such as <a href="#">WeXchange</a> (the largest network of women founders in Latin America and the Caribbean) as well as activities financed by <a href="#">Women Entrepreneurship Finance Initiatives</a> (We-Fi), for pipeline generation of companies with women in their executive management. <b>IDB Lab will support the inclusion of gender equity policies in the investments done with the E4DF.</b></p> <p>Additionally, the Program will focus on best practices on how to translate corporate commitments into concrete results that improve gender equality, diversity and inclusion in the workplace and in the markets they serve.</p> <p>To achieve these outcomes, the Program is expected to support private sector companies in LAC in the <b>design and implementation of action plans for inclusion</b> across (i) their products and service offering, including improved financing and more adequate financial products for women owned or women-led companies when dealing with financial intermediaries, and (ii) their human resources and procurement processes, including the creation of gender sensitive policies, creating internship programs in STEM targeting specific populations, segmenting portfolios with a particular inclusion lens.</p> <p>IDBG will leverage on its expertise in the inclusion of <b>gender and inclusion performance-based incentives</b> where reductions in the interest rates are progressively introduced according to a predefined set of gender-related activities contractually agreed with project sponsors.</p> <p>The Program is also expected to contribute with technical advisory for the client readiness assessments, diagnosis, design and implementation of gender, diversity and inclusion mainstreaming action plans and activities, meeting companies where they are, identifying their gaps and targeting the most effective actions they can take to bridge them.</p>
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<p><b>Gender Indicators</b> (Please insert the text on selected gender specific indicators, including annual targets. from the Project Log Frame that the project is committing to report on)</p>	<p>a) number of women trained in STEM – with increased employment opportunities b) number of companies adopting gender, diversity and inclusion plans (with gender-responsive workplace policies, improved HR and procurement policies, training on gender equality, sexual education and gender awareness)</p>
<p><b>For projects/programs with activities in countries assessed as being at moderate or high risk of debt distress, macro-economic analysis to evaluate the potential for the CTF project or program to impact the country's debt sustainability</b></p>	
<p>n/a</p>	
<p><b>For public sector projects/programs, analysis of how the project/program facilitates private sector investment</b></p>	
<p>n/a</p>	
<p><b>Expected Results (M&amp;R)</b></p>	
<p><b>Project/Program Timeline</b></p>	
<p>Expected start date of implementation<sup>[d]</sup></p>	<p><b>Q4 2023 (start of the investment period)</b></p>
<p>Expected end date of implementation<sup>[d]</sup></p>	<p><b>Q4 2026 (end of investment period)</b></p>
<p>Expected lifetime of project results in years (for estimating lifetime targets)</p>	<p>Up to 20 years</p>
<p><b>CTF Core Indicators<sup>16</sup></b></p>	<p><b>Project-Defined Indicators/Targets</b></p>
<p><i>Please identify which of the indicators below are relevant to the project proposal, list the corresponding project-defined indicator(s), and report all targets, including disaggregated targets. (See the <a href="#">CTF Monitoring and Reporting Toolkit</a> for additional guidance.)</i></p>	
<p><b>CTF 1:</b> GHG emissions reduced or avoided (mt CO<sub>2</sub> eq)</p>	
<p><i>Annual</i></p>	<p>175,000</p>
<p><i>Cumulative Lifetime</i></p>	<p>3,500,000</p>
<p><b>CTF 2:</b> Volume of direct finance leveraged through CTF funding (\$)</p>	<p><i>Indicator calculated from the co-financing section below</i></p>
<p><b>CTF 3:</b> Installed capacity of RE as a result of CTF interventions (MW)</p>	
<p><i>Wind</i></p>	
<p><i>Solar</i></p>	<p>76</p>
<p><i>Hydro</i></p>	
<p><i>Geothermal</i></p>	

<sup>16</sup> At this stage, the exact portfolio composition of the program cannot be defined. For the performance indicators target calculations, the IDBG is using a set of projects currently under portfolio in the selected sectors and within the eligible countries.

<i>Other/Mixed</i>	
<i>TOTAL</i>	76
<b>CTF 4: Number of additional passengers per day using low-carbon transport</b>	
<i>Women</i>	14,725
<i>Men</i>	13,275
<i>TOTAL</i>	28,000
<b>CTF 5: Energy savings as a result of CTF interventions (GWh)</b>	
<i>Annual</i>	17.2
<i>Cumulative Lifetime</i>	344.2
<b>Please also submit the full project results framework to the CIF Secretariat upon MDB Board approval of the project.</b>	
<b>CTF Co-Benefit Indicators</b>	<b>Project-Defined Indicators/Targets</b>
<i>Please identify one or more expected co-benefit indicators–i.e., other social, economic, environmental benefits beyond the CTF core indicators–that the project will track and report.</i>	
Number of technologies/ applications demonstrated (#)	3
Number of early-stage startup investments that tackle specifically CIF relevant thematic areas (#, out of 15) <sup>17</sup>	3
Amount of external funding mobilized towards early-stage startups that tackle CIF relevant thematic areas (US\$, millions), (from CIF aligned operations in E4DF)	US\$ 12 million
number of women trained in STEM – with increased employment opportunities	100
number of companies adopting gender, diversity and inclusion plans (with gender-responsive workplace policies, improved HR and procurement policies, training on gender equality, sexual education and gender awareness)	3
<b>Co-financing</b>	

<sup>17</sup> The E4DF plans on making a total of 15 new investments, reserving 30% of the Total Fund resources for follow-on investments.

	Please specify as appropriate	Amount (in million USD)
MDB 1	IDB INVEST	40.0 <sup>18</sup>
MDB 2 (if any)	IDB LAB	2.0 <sup>19</sup>
Government		40.0 <sup>20</sup>
Private Sector		100.0 <sup>21</sup>
Bilateral		5.0 <sup>22</sup>
Others (please specify)		
<b>Total Co-financing</b>		<b>187.0</b>
<b>CIF Funding</b>		<b>28.0</b>
<b>Total Financing (Co-financing + CIF Funding)</b>		<b>215.0</b>
<b>Proportion of Total Financing for Adaptation<sup>23</sup></b>		<b>0%</b>
<b>Proportion of Total Financing for Mitigation</b>		<b>100%</b>
<b>Expected Date of MDB Approval</b>		
Most projects will be submitted between Q4 2023 and Q4 2024 and in any event in compliance with the CTF Pipeline Management and Cancellation Policy.		

<sup>18</sup> Indicative target amount based on actual results achieved by the i3-0 Programs at IDB Invest

<sup>19</sup> IDB Lab's co-investment in E4DF investees based on a 30:70 IDB Lab: E4DF co-investment strategy

<sup>20</sup> Potential co-investors in the E4DF

<sup>21</sup> Indicative target amount based on actual results achieved by the i3-0 Programs at IDB Invest

<sup>22</sup> Indicative target amount based on actual results achieved by the i3-0 Programs at IDB Invest

<sup>23</sup> While a mitigation component needs to be established for the subprojects to be eligible under the program, the adaptation component can not be anticipated for the portfolio of private sector subprojects under the umbrella of the program.