

SUSTAINABLE DEBT FRAMEWORK

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1. INTRODUCTION



1. Introduction

The Financial Fund for the Development of the River Plate Basin (hereinafter “FONPLATA” or the “Bank”) is a multilateral development bank composed of five founding member countries: Argentina, Bolivia, Brazil, Paraguay and Uruguay. The bank was established in 1974 under the River Plate Basin Treaty as a Fund with the objective to reduce socioeconomic disparities between member countries, through credit operations and non-reimbursable government resources. In 2018, with the approval of modifications to its Charter, FONPLATA evolved into a development bank, which pursues modernizing and enhancing its relevance to member countries. The modified Charter also enables the possibility to incorporate new member countries, and promotes the complementarity and synergy of efforts with other agencies and multilateral banks that share similar institutional values and development goals for the region.



FONPLATA's mission is to "support the integration and the harmonious, inclusive and sustainable development of its member countries through the effective and efficient use of financial and non-financial resources." The loan portfolio focuses on small and medium-sized projects with a special focus on vulnerable zones, border regions and integration. Projects are guided by the clauses of the River Plate Basin Treaty, which aims to promote:

- The facilitation and assistance in matters regarding navigation.
- The rational use of water resources, especially through the regulation of watercourses and their unbiased multiple and egalitarian use.
- Flora and fauna preservation.
- The improvement of infrastructure competitiveness and integration (roads, railways, waterways, airports, energy and telecommunications).
- Regional complementation through the promotion and establishment of industries of interest to the development of the Basin and its areas of influence.
- The financial complementation in border areas.
- Cooperation in matters of education, health and sanitation and the fight against diseases.
- The promotion of other projects of common interest, especially those related to the inventory, the evaluation and the sustainable use of natural resources.
- Gender and youth inclusion.
- Climate change.

FONPLATA relies on a robust governance structure that consists of a Board of Governors and a Board of Executive Directors. The Bank's operations are based upon five strategic pillars (outlined below), all of which are essential for an organization that finances investment projects that promote the integration of its member countries.





2. FONPLATA's SUSTAINABILITY STRATEGY

2. FONPLATA's Sustainability Strategy

Sustainability is embedded within FONPLATA's broader Institutional Strategic Plan. The Bank is aware that socio-environmental development acts as both: (1) a pillar of sustainable and inclusive development in the River Plate Basin; and (2) the foundation for integration of FONPLATA member countries. As such, the Bank is committed to promoting the sustainable management of environmental resources, to financing projects that mitigate impacts related to economic and natural disasters, and to contributing to global climate change adaptation and mitigation efforts.

Even though the Bank's Environmental Policy relies on the operational structure and legislative framework of its member countries, FONPLATA has established a Socio-Environmental Strategy drawing on the best practices and experience of other development financing agencies. The strategy formalizes the incorporation of social and environmental risk analysis and management throughout the project cycle, with the objective of identifying and mitigating various risks associated with the execution of projects financed by the Bank.



FONPLATA's Socio-Environmental Strategy is based on the following criteria:

- **Compatibility with the laws of member countries** – all procedures and tools designed by the Bank shall be compatible with the legal mechanisms and instruments in force in the member countries. Projects that do not comply with the legislation shall not be financed.
- **Complementarity with the laws of member countries** – all the procedures developed and executed with funding from the Bank shall meet and respect the national socio-environmental regulations. Additional documents may be requested to ensure compliance with all FONPLATA's policies, principles and guidelines.
- **Prevention** – FONPLATA shall only finance projects in which it is proven that the pertinent socio-environmental precautions have been taken in advance. All operations must include actions to control or mitigate the negative impacts that they may have.
- **Standardization of environmental management** – processes shall be applied to all projects financed by FONPLATA during all stages of the project cycle – (see below “Process for Project Selection and Evaluation”)
- **Cost Internalization** – every project must be reviewed to ensure that costs to prevent and mitigate socio-environmental impacts, as well as their benefits, have been incorporated into the project's budget and, considered in the economic feasibility analysis.

Furthermore, the Bank is committed to helping member countries meet their environmental and social goals. This includes supporting nations in their efforts to meet individual Sustainable Development Goals (SDGs), and classifying each project expected results to the SDGs. Additionally, FONPLATA helps member countries implement and meet their Nationally Determined Contributions (NDC) to climate change mitigation and adaptation efforts. This includes putting Rapid Climate Risk and Vulnerability Assessments (Rapid-CRVA) into practice as part of due diligence procedures for each project, with an aim to promote resilient projects.

The Bank also provides green financing for projects and/or initiatives associated with climate change mitigation and adaptation. This includes, creating a line of support for economic reactivation to mitigate the effects of the COVID-19 pandemic by spurring employment, fighting against poverty and reducing inequality within member countries.

A woman with dark hair, wearing a red and white horizontally striped t-shirt, is seated and working with a white, malleable material, likely clay. She is using a small tool to shape the material, which is held in a red metal frame. In the foreground, there is a container with various tools and a bottle. The background is a blurred brick wall.

3. FONPLATA's SUSTAINABLE DEBT FRAMEWORK

3. FONPLATA's Sustainable Debt Framework

FONPLATA has created this Sustainable Debt Framework (SDF) to guide future issuances of Green, Social, and Sustainability Debt Instruments, including bonds, loans or other financial instruments in different formats, tenors and offering types.

- Social Debt Instruments: the proceeds of which are exclusively allocated to Social Project Categories as described in section 3.1
- Green Debt Instruments: the proceeds of which are exclusively allocated to Green Project Categories as described in section 3.1
- Sustainability Debt Instruments: the proceeds of which are exclusively allocated to Green and Social Project Categories as described in section 3.1

Green, Social, and Sustainability Debt Instruments will be referred to collectively as “Sustainable Debt Instruments” throughout the remainder of this document.



The Sustainable Debt Framework is aligned with the four core components of Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2021, and Sustainability Bond Guidelines (SBG) 2021, as published by the International Capital Market Association (ICMA), as well as the Green Loan Principles (GLP) 2021 and Social Loan Principles (SLP) 2021, as administered by LMA¹, APLMA², and LSTA³:

1. Use of proceeds.
2. Process for project evaluation and selection.
3. Management of proceeds.
4. Reporting.

3.1. Use of Proceeds

An amount equal to the net proceeds of the Sustainable Debt Instrument under the Sustainable Debt Framework will be used to fund in whole or in part, new or existing projects (including projects that have been disbursed in the 36 months prior to the issuance date) from any of the following categories defined below, which shall be considered Eligible Projects.




¹ Loan Market Association.

² Asia Pacific Loan Market Association.






³ Loan Syndication & Trading Association.



3.1.1. Social Use of Proceeds Categories

SBP Category	Sub-Categories	Potential Eligible Projects	Potential SDG Contribution	Potential Target Population
Access to Essential Services	Recreational Infrastructure	<ul style="list-style-type: none"> Small recreational infrastructure projects, limited to sport areas, urban parks, tourism and culture 		Inhabitants in remote or underserved areas (peri-urban and small urban areas, rural agglomerates and/or agricultural colonies)
	Health	<ul style="list-style-type: none"> Construction and/or expansion of medical centers, laboratories and supporting infrastructure and equipment Preventive care, treatment, public health education and health support in relation to COVID-19 or vector related diseases (e.g. Chagas) 	 	
	Education	<ul style="list-style-type: none"> Educational infrastructure and equipment, funding educational programs, digitalization of public educational services 		
Affordable Basic Infrastructure	Water and Sanitation	<ul style="list-style-type: none"> Construction and/or expansion of water supply and sewage systems Macro and micro drainage and/or flood defense infrastructure 		Children/Youth
	Electricity	<ul style="list-style-type: none"> Expansion and/or improvement of electricity supply systems 		
	Transport and Urban development	<ul style="list-style-type: none"> Improvement of regional infrastructure to promote enhanced connectivity, social services access and modal shift through small scale interventions, excluding highways. 		Population in need of healthcare
	Information and Communications Technology (ICT)	<ul style="list-style-type: none"> Development and/or expansion of broadband telecommunication networks 		
Food Security and Sustainable Food Systems	Food security	<ul style="list-style-type: none"> School meal programs in public schools 		Inhabitants in areas vulnerable to flood risks.
Employment Generation and Socio-economic Advancement	Medium, Small and Micro Enterprises (MSMEs), Local communities' projects and sector growth	<ul style="list-style-type: none"> Financing and developing services for small, medium and micro businesses Programs for emergency employment generation 		MSMEs and unemployed population.
				
				Women
				

3.1.2. Green Use of Proceeds Categories

GBP Category	Potential Eligible Assets	Environmental benefits	Potential SDG Contribution
Renewable Energy	<ul style="list-style-type: none"> Financing of renewable electricity solutions and their implementation: <ul style="list-style-type: none"> Wind (onshore and offshore); and Solar (photovoltaic) 	<p>Climate change mitigation</p> <p>Energy security</p>	  
Clean Transportation	<ul style="list-style-type: none"> Construction and improvement of low carbon transportation infrastructure (intercity passenger rail projects) 	<p>Pollution prevention and control</p> <p>Climate change mitigation</p>	 
Environmentally Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> Financing of the preservation of urban natural resources and ecosystem services (linear and environmental parks) Loans and/or grants to family producers with agricultural projects aiming at transitioning to agroecological practices to support sustainable food production systems and resilient agriculture 	<p>Pollution prevention and control</p> <p>Climate change mitigation</p> <p>Protection of healthy ecosystems</p>	 
Pollution Prevention and Control	<ul style="list-style-type: none"> Solid waste management systems, including prevention, collection, composting and recycling 	<p>Pollution prevention and control</p> <p>Protection of healthy ecosystems</p>	 
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Wastewater treatment systems 	<p>Sustainable use and protection of water and marine resources</p>	  

3.1.3. Exclusion List

FONPLATA will not knowingly finance, directly, or indirectly, projects involved in the production, trade or use of the products, substances, or activities listed below:

- Activities that are illegal under host country laws, regulations or ratified international conventions and agreements, or subject to international phase out or ban.
- Activities that, although consistent with a country's legal and/or regulatory framework may generate significant adverse impacts on people and/or the environment:
 - Production or activities supported by dangerous or exploitative forms of forced or child labor, or discriminatory practices or practices that prevent employees from freely exercising their labor rights (including those of association and collective bargaining).
 - Tobacco production or trade.
 - Use of WHO class I and II pesticides and others prohibited by the local legislation of the Member Countries, or that are known to affect wildlife or public health.
 - Production or trade in substances that deplete the ozone layer, subject to phase-out at the international level.
 - Gambling, casinos, and equivalent enterprises.
 - Trade in species of flora and fauna regulated by CITES⁴ or products derived from them.
 - Manufacture or sale of radioactive materials.
 - Civil works that can adversely affect significant properties protected by national legislation.
 - Production or trade of wooden products or other products from forests without the sustainable management and certification plan.
 - Production or trade in psychoactive substances prohibited by national laws.
 - Activities that involve the development or use of weapons and ammunition, military equipment, or infrastructure or for the armed forces.
 - Projects or activities that limit the freedom of individuals and violate human rights.

⁴ Convention on International Trade in Endangered Species of Wild Fauna and Flora.

- Activities that promote the illegal sex trade.
- Animal testing activities unless approved by national legislation.
- Activities related to the exploration, production or transportation of fossil fuels (e.g., coal, oil and gas).
- Consumption of fossil fuels for the purpose of power generation.

Additionally, FONPLATA's Environmental and Social Risk Management Guidelines establish the addition of broader exclusion criteria when projects are co-financed with other agencies.

3.2. Process for Project Evaluation and Selection

Eligible projects go through the full evaluation and due diligence procedures, as established by the Bank for the approval of each credit operation. On an ongoing basis, eligible projects for inclusion in the Bank's Sustainable portfolio will be assessed by FONPLATA's Operational team in alignment with the organization's existing framework for project evaluation and selection. It is important to highlight that FONPLATA has a well-established set of tools and procedures to classify sustainable projects.

Sustainability Committee:

A multidisciplinary team belonging to different key areas of the Bank oversees the selection of eligible projects to be financed through the sustainable proceeds. This team will meet at least on a semi-annual basis and is composed of:

- (i) Finance Department
- (ii) Operations Department
 - Environmental and Social Management Unit
 - Monitoring and Evaluation Unit
- (iii) Coordination and Strategic Partnerships Department
- (iv) Risk and Compliance Department
- (v) Legal Counsel

The Committee's responsibilities include the following:

- (i) Review of pre-eligibility categorization of projects;
- (ii) Review of compliance with sustainability strategy;
- (iii) Selection of the eligible projects in line with the eligibility criteria stated in the use of Proceeds section of this Framework and on-going monitoring of the pool of eligible projects;
- (iv) Management of proceeds, and
- (v) Validation of the annual sustainable reporting

As described in the Sustainability Strategy section, all projects financed by the Bank undergo a five-step project cycle as illustrated below.



3.3. Management of Proceeds

The proceeds of the debt issued under this Framework will be deposited in FONPLATA's general treasury account. Pending full allocation of an amount equal to the net proceeds of any issuance, proceeds will be managed in alignment with the Bank's conservative treasury investment guidelines. FONPLATA will allocate Eligible Projects as soon as practicable and, where feasible, within the first 12–36 months after issuance.

In the case of divestment or if a project no longer meets the eligibility criteria, FONPLATA will use reasonable efforts to reallocate an equal amount of the funds to other Eligible Projects. Payment of principal and interest will be made from its general account and not be linked to the performance of the Eligible Projects.

3.4. Reporting

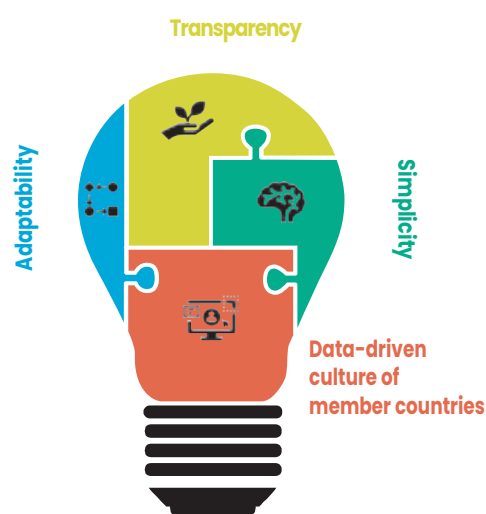
Annually, until full allocation of funds, FONPLATA will provide a report which will include the Bank's overall portfolio, the social and environmental impacts on a portfolio basis, and the use of proceeds for each Sustainable debt instrument issued under this Framework.

Such report will be available on FONPLATA's official website.

The reporting process of the Bank will be based on the following principles:

- transparency,
- adaptability,
- simplicity, and
- data driven culture of member countries.

Projects will be included in the report once the first disbursement has been allocated and removed when the underlying loan has been repaid. In cases in which only a component of the project/program is sustainably financed, only that portion will be reported.



3.4.1. Allocation Reporting

Annually, until full allocation of proceeds, FONPLATA will provide information on the allocation of the proceeds that should include:

- Breakdown of proceeds by category;
- Breakdown of proceeds by geography;
- The share and amount of allocated/unallocated proceeds;
- The share of financing and refinancing, and
- Eligible projects aligned with the Bank's strategy and priority areas.

3.4.2. Impact Reporting

FONPLATA will track the performance and development contribution of each eligible project funded under this framework.

The report will include qualitative and quantitative environmental, social and sustainability performance indicators on the eligible green and social assets, reported at category level.

SBP Category	Sub categories	Potential Metrics
Access to Essential Services	Recreational Infrastructure	<ul style="list-style-type: none"> Number of beneficiaries Number of facilities built/refurbished
	Health	<ul style="list-style-type: none"> Number of health facilities built / refurbished Number of beneficiaries
	Education	<ul style="list-style-type: none"> Number of beneficiaries Number of education facilities built / refurbished
Affordable Basic Infrastructure	Water and sanitation	<ul style="list-style-type: none"> Number of beneficiaries Length of drainage and drinking water systems built / refurbished (km) Water production m³ / day
	Transport and Urban development	<ul style="list-style-type: none"> Length of streets with basic improvement (km) Number of bridges built Number of choke points with water retention and flooding Number of road traffic accidents/injuries
	Electricity	<ul style="list-style-type: none"> Number of beneficiaries Quantity of energy supplied (kWh)
	Information and Communications Technology (ICT)	<ul style="list-style-type: none"> Number of beneficiaries Length of fiber optic network (km)
Food Security and Sustainable Food Systems	Food security	<ul style="list-style-type: none"> Number of meals Number of beneficiaries
Employment Generation, Socio-economic Advancement and Empowerment	MSMEs, Local communities' projects and sector growth	<ul style="list-style-type: none"> Number of businesses that received loans Amounts of loans received Number of businesses that received technical assistance Number of jobs created

GBP Category	Potential Metrics
Renewable Energy	<ul style="list-style-type: none"> Greenhouse Gas (GHG) emissions reduced or avoided (tCO₂e/year) Renewable energy produced (MWh/year) Capacity of renewable energy plants installed (MW) New / total distance of transmission lines dedicated to delivering renewable power (km)
Clean Transportation	<ul style="list-style-type: none"> Greenhouse Gas (GHG) emissions reduced or avoided (tCO₂e/year) Number of Infrastructure constructed or renovated
Environmentally Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> Surface of areas restored or preserved (ha) Surface covered by sustainable agriculture (km²)
Pollution Prevention and Control	<ul style="list-style-type: none"> Tons of material recycled (Tons) Solid waste collected (Tons)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Volume of treated water (m³/year) Volumen of reused water (m³/year) Reduction in water usage (%)



4. EXTERNAL REVIEW

4. External Review

4.1. Second-Party Opinion

FONPLATA has mandated Sustainalytics to provide a Second Party Opinion on this Sustainable Debt Framework. The Second-Party Opinion ensures that the Sustainable Debt Framework follow the highest standards as defined by the Sustainable Bond Principles, and best market practices. Second Party Opinion documents are available on FONPLATA's and Sustainalytics' website.



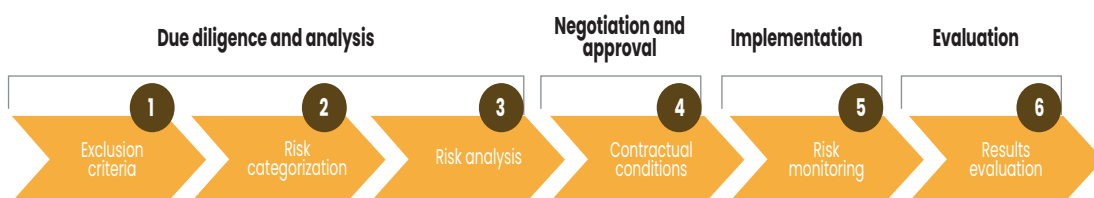
5. ANNEXES



5. Annexes

5.1. Social and Environmental Risk Management System

FONPLATA developed and implements a Socio-Environmental Risk Management System based on international standards and best practices, throughout the project cycle:



1. Exclusion criteria

FONPLATA applies the Exclusion list of activities in projects according to the exposed in 3.1.3.

2. Social and environmental risk categorization

FONPLATA classifies the social and environmental risks of every project into 4 categories (very high, high, medium and low), according to the socio-environmental sensitivity, the project type and its size. Projects classified as having very high risks are declined. Projects with high and medium risks require Social and Environmental Impact Evaluation Studies and other analyses.

3. Social and environmental impact assessment

The assessment and valuation process to identify risks and impacts determines the feasibility of the project from the socio-environmental point of view, complying with the environmental and social regulations of the Member Countries and in satisfactory conditions for FONPLATA. For projects with high or medium risks, the implementation of environmental management plan are required which include potential impact prevention, mitigation, compensation or remediation measures. The costs associated to prevent and mitigate socio-environmental impacts are included in the project's budget.

4. Contractual aspects

For the approval of the Project, and as a result of the feasibility analysis of the operation, there may be special requirements aimed at optimizing socio-environmental performance in the various stages of the project cycle. Contractual aspects might be incorporated in the contract and/or operational documents (e.g. loan agreement, other specific documents, authorizations, studies of special analysis. This procedure defines the most relevant milestones or conditions to be included in the loan documentation and to be met in the execution stage, identified as a result of the social and environmental analysis carried out in the analysis stage.

5. Social and environmental governance instruments for projects implementation

By socio-environmental governance of the project, FONPLATA refers to the planning, coordinating, monitoring and decision-making instruments to promote an adequate integration of social and environmental aspects in the execution phase of the project, based on the roles and responsibilities of the different actors involved. Thus, for instance, the MO will establish the specific responsibilities in the project cycle and detail the socioenvironmental management plans, including the environmental technical specifications which should be reflected in works contracts, the terms of reference of supervision, inter-institutional agreements, as appropriate. The documentation agreed upon with the OE will be the basis for socio-environmental performance monitoring.

6. Monitoring during implementation

Aimed at guaranteeing that the activities provided in the projects' social and environmental management plans are fully and timely complied and at identifying new socio-environmental risks, other than the originally foreseen, and recommend timely mitigation measures. Instruments are developed for monitoring systematization and reporting. Period time and monitoring depth depends on the project risk category.

7. Evaluation and feedback

During implementation, or after completion of the project, it is necessary to identify deviations and lessons that will provide a reference for similar projects in the future. As part of the midterm or final project evaluation, a measurement of the social and environmental performance of the project should be made, based on the specific variables and indicators, as presented in the results matrix. The final evaluation will be carried out at most between the provisional and final delivery of the works, so that it is possible to recommend and carry out corrective measures in case environmental liabilities are detected as a direct consequence of the project.



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