

COLOMBIA SUSTAINABLE FINANCE STATE OF THE MARKET 2022



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List of Abbreviations and Acronyms

A&R: Adaptation and Resilience

ABS: Asset-backed Securities

AFOLU: Agriculture, forestry, and land use

BVC: Colombian Stock Exchange

DNP: National Planning Department

DANE: National Administrative Department of Statistics

ENEC: National Circular Economy Strategy

ENFC: National Climate Finance Strategy

FDI: Foreign Direct Investment

FINAGRO: Agricultural Sector Financing Fund

FMCG: Fast-moving consumer goods

FONSUREC: Fund for Sustainability and Climate Resilience

GBDB: Green Bond Data Base

GDP: Gross Domestic Product

GHG: Greenhouse Gas

GSS+: green, social, sustainability and sustainability-linked

ICMA: International Capital Markets Association

ICT: Information and communication technology

IDB: Inter-American Development Bank

IFC: International Finance Corporation

IPCC: Intergovernmental Panel on Climate Change

LAC: Latin America and the Caribbean

MADS: Ministry of Environment and Sustainable Development

MDB: Multilateral Development Bank

MHCP: Ministry of Finance and Public Credit

MPA: Marine Protected Area

NAMA: Nationally Appropriate Mitigation Action

NDB: National Development Bank

NDC: Nationally Determined Contributions

NGFS: Network for Greening the Financial System

Nbs: Nature-based Solutions

OECD: Organization for Economic Co-operation and Development

PIGCTT: Formulation and Implementation of Comprehensive Territorial Climate Change Management Plans

PIGCCme: Integrated Climate Change Management Plan for Mining and Energy Sector

PNACC: National Plan for Adaptation to Climate Change

PNCC: National Climate Change Policy

PND: National Development Plan

PPP: Public and private partnerships

SARAS: Environmental and Social Risk Analysis System

SDGs: Sustainable Development Goals

SMES: Small and Medium Enterprises

SFC: Financial Superintendence of Colombia

SISCLIMA: National Climate Change System

SPO: Second Party Opinion

SPT: Sustainability Performance Targets

SLB: Sustainability-linked bonds

SSBDB: Social and Sustainability Bond Database

S&S: Social and sustainability

TAf: Technical Assistance Facility

UoP: Use of Proceeds

VAT: Value Added Tax

Introduction

About this report

This report identifies sustainable investment opportunities in Colombia in accordance with the Colombian Green Taxonomy and the potential for green and other thematic instruments to attract investment to Colombia. The report describes the shape and size of the Colombian green, social, sustainability and sustainability-linked (GSS+) debt market and provides an overview of supporting policy developments and milestones over the last decade. By highlighting tangible green opportunities for Colombia's critical economic sectors, their alignment with leading international standards, and guidelines for investors and issuers, this report aims to promote continued growth in Colombia's sustainable finance market.

The LAGreen Fund supported the Colombia's Sustainable Finance State of the Market 2022. The Climate Bonds Initiative (Climate Bonds) together with Metrix Finanzas analysed the data, conducted research, and consulted key stakeholders in Colombia to develop its content.

About the Climate Bonds Initiative

Climate Bonds is an international organisation working to mobilise global capital for climate action. Climate Bonds promotes investment in projects and assets needed for a rapid transition to a low-carbon and climate-resilience economy. Its mission is to help drive down the cost of capital for large-scale climate and infrastructure projects and support governments seeking increased access to capital markets to meet climate and greenhouse gas (GHG) emission reduction goals. Climate Bonds has a strong presence in Latin America and the Caribbean (LAC), including an office based in Bogotá, Colombia.

Acknowledgements

This report was possible thanks to the cooperation from the Ministry of Environment and Sustainable Development, the Ministry of Finance and Public Credit, the Ministry of Mines and Energy, the National Planning Department, the Financial Superintendence, the Colombian Stock Exchange, the International Finance Corporation, the Inter-American Development Bank, Asobancaria, BBVA, Posse Herrera Ruiz, DLA Piper Martinez Beltran, Brigard-Urrutia, Optima Consultores, EQA and LAGreen consultant, César Arias. Thank you for your time, knowledge and effort on promoting sustainable finance in Colombia.

About Metrix Finanzas

Metrix Finanzas is an investment bank located in Bogotá, Colombia, with 25 years of experience in the market and more than 330 projects executed. The firm specialises in providing financial and strategic advisory, structuring alternative investment opportunities for investors, and advising companies and institutions on the financial evaluation of projects. In the past eight years, Metrix has dedicated its efforts to promoting green finance in Colombia by being part of the construction and implementation of the Green Bonds Road Map for the country. Metrix has participated in the issuance of green and social bonds (Banco de Bogotá and Corficolombiana, respectively), and contributed to the Colombian Green Taxonomy pilots for financial institutions and the insurance sector. Metrix has been a pioneer in sustainability in the Colombian investment banking sector.

About LAGreen Fund

The LAGreen Fund is the first impact investment fund dedicated to promoting the issuance of green bonds in Latin America. The fund aims to support positive climate, environmental and societal benefits through the promotion of Latin America's green bond market. With the purpose of consolidating green bonds as instruments for mobilising resources towards more sustainable and green economic models in the region, the LAGreen Fund provides technical assistance and invests in green bonds issued in the region.

The German Development Bank (KfW) established the LAGreen Fund, with seed capital provided by the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ) and Finance in Motion as an investment advisor. The fund seeks to support the issuance of high-impact thematic bonds in the region, attract a greater volume of long-term funding for sustainable projects, as well as support issuers through technical assistance during the different phases of bond preparation, issuance, and post-issuance, and through commitments to purchase a significant portion of the issue.

Sustainable finance to support resilient growth

Colombia overview

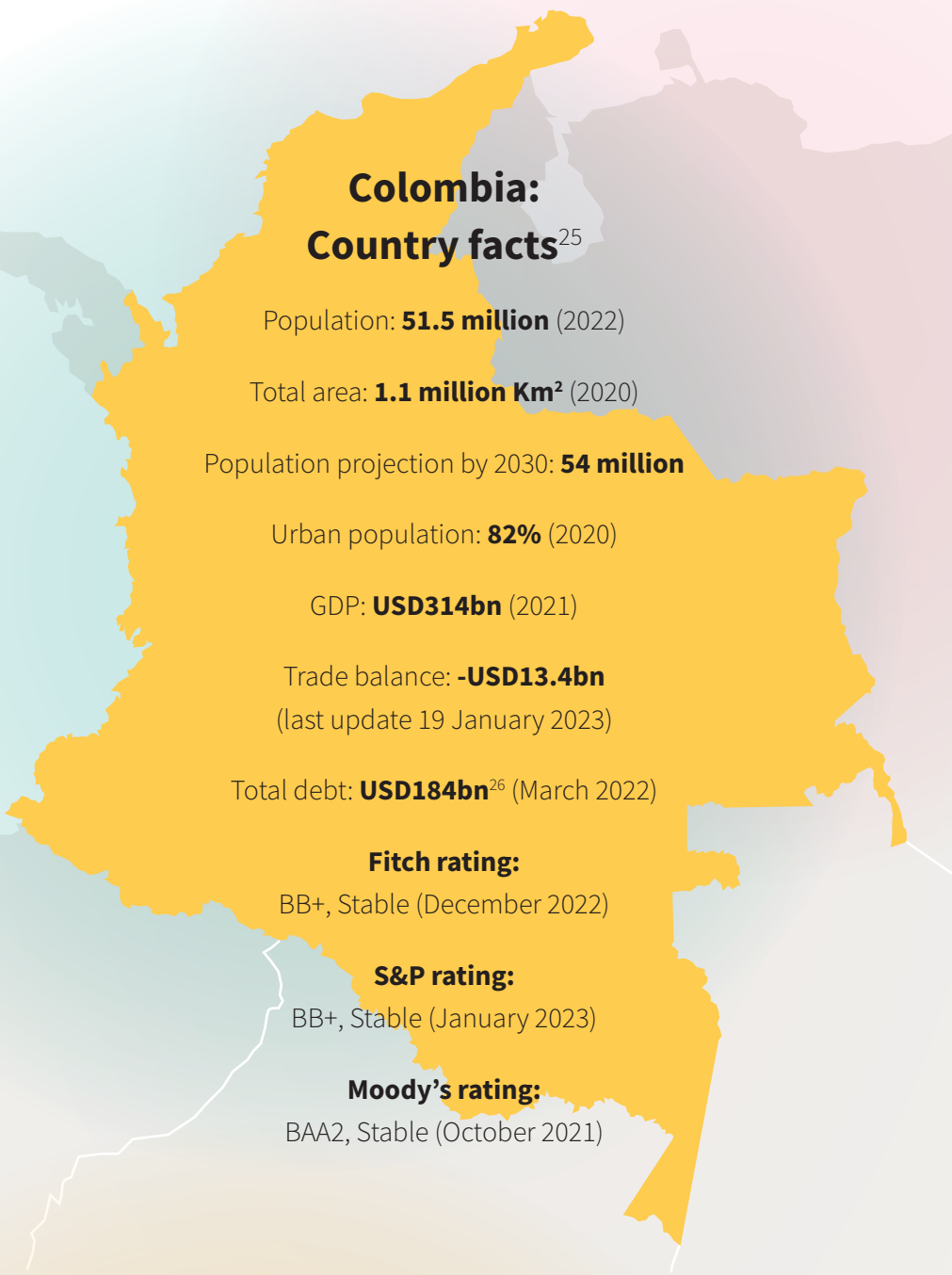
Colombia is the third most populous country in Latin America (after Brazil and Mexico) with approximately 51.5 million people, and the second largest in terms of biodiversity.¹ Colombia is characterised not only by its natural resources and variety of ecosystems, but also by its human capital and ethnic and cultural heritage.² The country hosts forests, two oceans (Pacific and Atlantic), jungles, deserts, wetlands, mountains, moors, among other ecosystems. Colombia has high potential for production of renewable energy (e.g., solar, wind, hydropower, etc.), reason why it could become one of the main sources of economic and social growth. The country is committed to sustainable growth and development.³



Due to the importance of natural resources and ecosystems for the country's economy, climate change has a direct and negative effect. According to Stockholm International Peace Research Institute (SIPRI), to avoid increasing climate change vulnerability, the Colombian Government and its local and international partners must collaborate on climate mitigation and adaptation initiatives.⁴

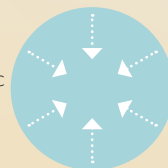
Colombia is among the 11 countries with the greatest vulnerability to the impacts of climate change.⁵ The country's top climate change disaster risks are severe floods and melting glaciers due to rising temperatures. It is estimated that river floods could increase from 25% to 65% between 1980 and 2080.^{6,7}

National mitigation and adaptation policies have been designed to support the country's transition to a low-carbon economy. The Colombian Government signed and ratified the Paris Agreement (2015) and submitted its Nationally Determined Contribution (NDCs) in 2020, committing to a reduction of 51% of greenhouse gas (GHG) emissions by 2030.⁸ Colombia's long-term goal, stated in the Climate Action Strategy for 2050 (E2050), is to achieve carbon neutrality.⁹ The National Climate Change System (SISCLIMA) was created to support climate change mitigation and adaptation strategies.¹⁰ The institutional framework indicates Colombia's high potential to develop its sustainable financial market as an effective tool to support the mobilisation of resources towards a low-carbon and resilient economy.



Macroeconomic overview

Historically, Colombia has been characterised by adequate and stable economic and fiscal management. Like most countries, the COVID-19 pandemic has introduced new socio-economic challenges for Colombia.¹¹ Sovereign debt increased by 20% from USD149.2bn in 2021 to USD179.7bn in 2022, equal to 64.1% of estimated GDP.¹²



Colombia's GDP growth and fiscal deficit for 2022 are estimated to be 8.2% and 5.5% (of GDP) respectively. For 2023, GDP growth is expected between 0.5% and 2%. Low growth is one of the main threats to employment generation, which will have a negative socio-economic effect on the country's finances.¹³ In Colombia, small and medium enterprises (SMEs) provide 35% of the country's GDP and 65% of employment but the scale of the borrowing requirement does not make it economically viable for them to do so through the capital markets.¹⁴

Inflation reached a 21st century record of 13.2% in 2022. In 2023, inflation is expected to reach between 7% and 7.6%.¹⁵ The Central Bank maintains a long-term inflation target of 3%. Globally, inflation management is a key challenge, and this extends to Colombia.¹⁶

The Colombian peso (COP) depreciated by 20.9% during 2022, one of the highest rates of devaluation against the US dollar (USD).¹⁷

By the third quarter of 2022, foreign direct investment (FDI) in Colombia was around USD13.5bn, mainly in financial services, transport, manufacture, mining, and quarrying industries.¹⁸ According to the World Energy Council (WEC), Colombia was a leader in the energy sector transition in LAC by 2020, raising its position in the Energetic Transition Index from 34 to 29.¹⁹ In 2020, the country was ranked second in LAC (after Uruguay) in terms of capacity to supply low-carbon energy.²⁰

The Tax Reform approved in November 2022 created the Fund for Sustainability and Climate Resilience (FONSUREC). The purpose of this fund is to economically support productive transformation initiatives, bioeconomy, and tourism. The FONSUREC will be financed partially with revenues from the National Carbon Tax and may receive resources from national or international cooperation, donations, or public and private entities.²¹

One of the main sources of capital in Colombia are fossil fuels, which account for approximately 40% of the country's exports, 20% of FDI and 10%-20% of government revenues. The price of the Brent barrel increased 10% in 2022, closing the year at USD85.9.²² The current government's position of not renewing new oil and gas exploration contracts and its plan to halt the signing of new contracts are very positive from an environmental perspective but may present an economic challenge for the country.

On 20 January 2023, S&P Global Ratings maintained and confirmed both its risk rating and outlook (BB+, stable) following the approval of the tax reform passed by the government. Both Fitch and S&P Global Ratings granted Colombia the same rating and outlook. Moody's rated the long-term sovereign debt in Colombian foreign currency as investment grade (Baa2, stable).

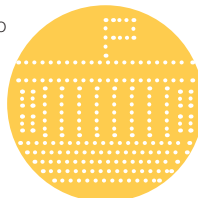
Current government (2022-2026)

On 7 August 2022, Gustavo Petro, founder of the Colombia Humana party and representing the first leftist government in Colombia's history, assumed the presidency.

Petro's government is focused on social justice, the Total Peace programme seeks dialogue with marginalised groups to defuse national conflict.²³

The social justice agreement led by the government is part of the National Development Plan 2023-2026 (PND). It seeks a series of structural reforms: social justice reform (tax reform bill approved in November 2022); political reform and health reform; and a labour and pension reform. As expected, most of this is creating uncertainty for investors.

By the second half of 2023, reforms should have gone through Congress for discussion. At that stage, the results should provide a clearer landscape for investors regarding market conditions. In addition, the government has an energy transition plan which seeks to decarbonise the economy and diversify the country's energy matrix.



National Development Plan (PND)

The PND is the country's development strategy designed by each new government. The new PND bill, termed 'Colombia Global Potential for Life', was presented to Congress on 7 February 2023 for approval in May 2023. The objective of this national law is to create 'a new social contract that promotes the overcoming of historical injustices and exclusions, the non-repetition of conflict, the change of our relationship with the environment and a productive transformation based on knowledge and harmony with nature'.

The construction of the PND was agreed with diverse national communities including different ethnic groups. It is based on five transformations: land use planning around water; human security and social justice; human right to food; productive transformation; climate action, internationalisation, and regional convergence. The achievement of these objectives is proposed through three transversal scopes: multiple actors for change, macroeconomic stability, and total peace.

Within the investment plan proposed in the PND, there is an alignment with the medium-term fiscal framework of 2022 which estimates that this plan will cost an annual COP1.6tn (USD329.5m) during the four years of the presidency term.²⁴ Additionally, investments of around COP50.4bn (USD10.4m) for peace-related programmes are included.

The PND considers 28 lines of investment for the development projects in specific regions, for which 12 lines have green components e.g., biodiversity conservation, adaption projects, energy transition, construction, transport, among others. Additionally, the government has classified 111 strategic projects with regional impact, from which 34 have some component of green finance. This PND may be a source of potential projects to feed the sustainable project pipeline for the country. Nevertheless, Colombia must try to develop structured and bankable climate projects.

Sustainable market overview

Methodology and scope

This section describes green, social, sustainability and sustainability-linked (GSS+) debt issued in Colombia up to December 2022. Each of the themes included in the report are described in the following table.

Methodology overview:

This report draws on three Climate Bonds databases:

1. Green Bond Database (GBDB)
2. Social and Sustainability Bond Database (SSBDB)
3. SLB and Transition Bond Database

To qualify for inclusion, debt instruments must have a label. Green, social, sustainability, and transition bonds must finance sustainable projects, activities, or expenditures. SLBs must announce credible and ambitious transition SPTs. Debt labels describe the types of projects, activities, or expenditures financed, and/or their benefits. Green, social, sustainability, and transition are the most common labels, but a broad range of labels is used (see Appendix 1).

Green bonds

All deals in the green theme have been screened to verify the integrity of their green credentials. Screening is based on a set of process rules stipulated in the Climate Bonds GBDB Methodology, including all net proceeds verifiably (i.e., through public disclosure) meeting Climate Bonds' green definitions stated in Climate Bonds Taxonomy.^{27,28}



Social and sustainability bonds

Social and sustainability (S&S) deals are classified according to the S&S Bond Database Methodology, and based on the UoP (which is typically related to the deal's label) as follows:²⁹

Sustainability: UoP includes a combination of green and social projects, activities, or expenditures, e.g., renewable energy, low-carbon transport, employment generation and gender equality.



Social: UoP is exclusively related to social projects, e.g., health, employment, gender equality, affordable housing, etc.



Any instrument financing only green projects is included in the GBDB should it meet eligibility requirements, irrespective of its label (e.g., an SDG bond that only finances solar energy). A sustainability-labelled bond that only finances social projects will fall under a social theme, whereas one that finances a combination of green and social would be considered to fall under the sustainability theme.

Green	Social	Sustainability	SLB
UoP instrument with dedicated environmental benefits (captured since 2012)	UoP instrument with dedicated social benefits (captured since 2020)	UoP instrument combining green and social benefits (captured since 2020)	General purpose instrument with coupon step-up/step-down linked to entity-level sustainability performance targets (SPTs) (captured since 2021)

Sustainability-linked bonds

SLBs raise general purpose finance and involve coupon step-ups or, occasionally, step-downs linked to the achievement of pre-defined, time-bound SPTs. Climate Bonds has developed a screening methodology for SLBs as transition instruments. This methodology, as well as the SLB database, are expected to launch in Q2 2023.



Colombia's sustainable finance market

Colombia is the seventh largest sustainable debt market in Latin America and the Caribbean (LAC) with USD2.4bn issued across the GSS+ spectrum as of the end of 2022.

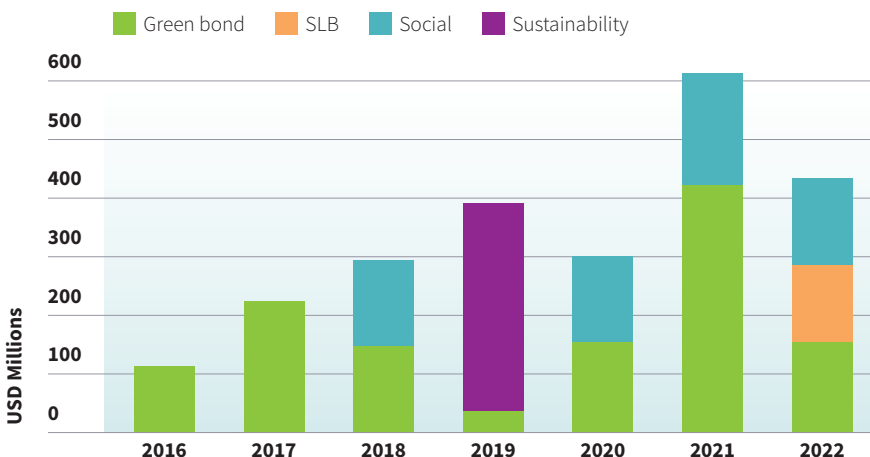
The green theme is the most popular by volume with 16 deals from nine issuers and cumulative volumes of USD1.3bn, or 53.7% of the country's GSS+ market. Cumulative issuance of social and sustainability bonds stands at USD620m (26.3%) and USD343.2m (14.5%) respectively.

The Colombian thematic debt market kicked off in 2016 with a COP350bn (USD115m) green bond from Bancolombia. A year later, Davivienda, another commercial bank, priced a COP433bn (USD149m) green bond to support sustainable projects among its borrowers. Davivienda also issued the only USD-denominated deal, a USD100m social private placement with the IDB with a seven-year tenor.

In 2018, the country saw the advent of the social label through Bancoldex (USD139m) to finance SMEs, rural businesses, women-owned enterprises, and armed conflict victims. The following year, Findeter issued a COP400m (USD138m) sustainability bond, the country's first (see page 10).

The Colombian GSS+ market is mainly domestic. Colombia was the first country in LAC to price a sovereign green bond in its own currency, a strategy known to support local green market creation (see page 8).

Green dominates Colombian thematic debt



Source: Climate Bonds Initiative

Green bonds



Colombia Green Scorecard

LAC Ranking	5th
Cumulative amount issued	USD1.3bn
Number of entities	8
Number of deals	16
Average size	USD74.6m
Biggest issuer	Republic of Colombia

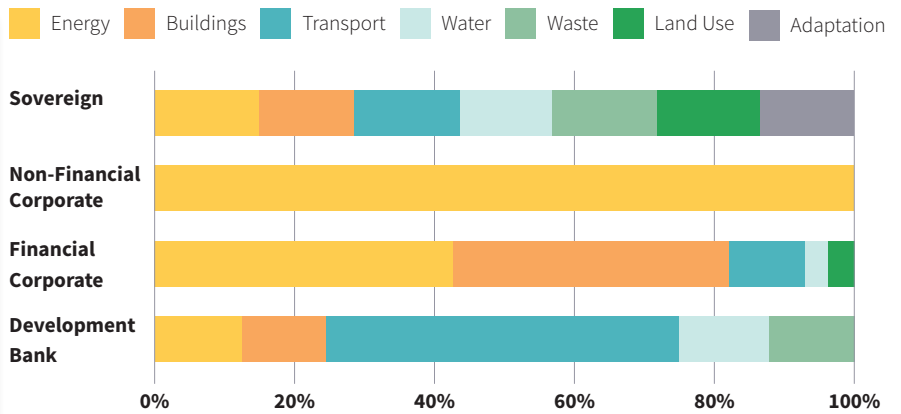
The Colombian green labelled market is the fifth largest in LAC by issuance volume. The characteristics of each deal are presented in the table in the following page.

The Colombian Government is the largest source of green bonds with 43%, followed by financial (35.2%) and non-financial corporates (12.9%). Development banks account for the remaining 8.5%.

Renewable energy (34.7%), Buildings (21.7%), and Transport (14.5%) are the most funded UoP categories. Non-financial corporates have issued green bonds solely related to the energy sector, while adaptation projects account for 14.3% of sovereign green bonds.

In the local market, following the region's trend, the green bond market has the smallest average ticket size (USD74.6m) compared to other labels – social (USD351m), sustainability (USD398m) and SLBs (USD850m) – due to the predominance of social and sustainability debt from sovereigns and MDBs, and large issuances among SLBs.

Green Use of Proceeds by issuer type



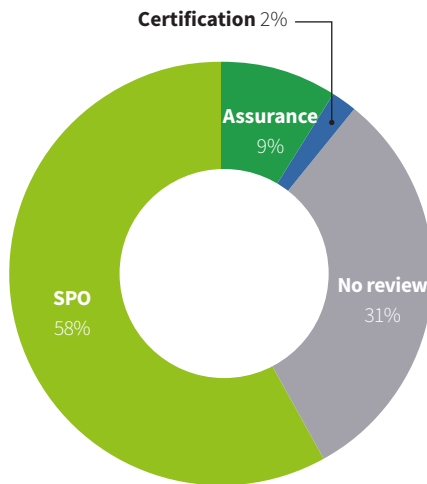
Source: Climate Bonds Initiative

Colombian issuers commonly use external reviews with 58% of issued amounts receiving SPOs from Vigeo Eiris, including the SPO on the sovereign bonds in 2021 and 2022. Sustainability, or NINT, also follow market best-practices and their own methodologies to analyse projects and assets and UoP management. Bancolombia's COP350bn (USD115m) private placement from 2016, accounting for 9% of the local green market, received assurance from Deloitte. EPSA's deal, representing 2% of the local green market,

received Climate Bonds Certification under the Solar Criteria, with pre- and post-issuance verification by EY. Seven financial and non-financial corporate deals (31% of the local green market) did not obtain external reviews. All green bonds were issued prior to the launch of the Colombian Green Taxonomy.

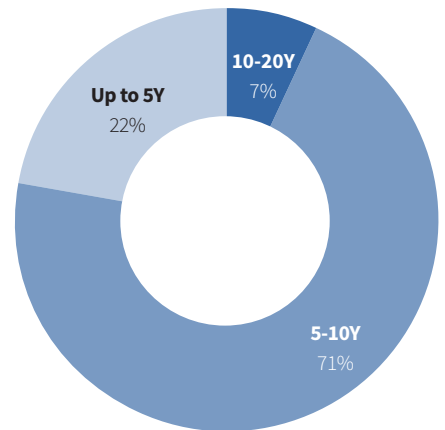
All green issuances have been placed in Colombian Pesos with 71% of the issued amount having a 5–10-year tenor.

Types of external reviews



Source: Climate Bonds Initiative

Green bond tenors



Source: Climate Bonds Initiative

Green bonds from Colombia

Issuer name	Instrument	Amount issued	Issue date & maturity	Issuer type	Use of proceeds	External review
Republic of Colombia	Bond	COP645bn (USD156.2m)	29/06/2022 10 years	Sovereign	Non-conventional energy sources, efficiency, and connectivity; ecosystem services and biodiversity; sustainable land use; clean and sustainable transport; water management, use and sanitation; low-carbon buildings; waste and circular economy, management of natural disaster risk.	SPO Vigeo Eiris
Celsia Colombia	Bond	COP140bn (USD34.8m)	30/11/2021 5 years	Non-financial corporate	Solar energy projects.	None/ undisclosed
Republic of Colombia	Bond	COP661bn (USD175.2m)	27/10/2021 10 years	Sovereign	Non-conventional energy sources, efficiency, and connectivity; ecosystem services and biodiversity; sustainable land use; clean and sustainable transport; water management, use and sanitation; low-carbon buildings; waste and circular economy, management of natural disaster risk.	SPO Vigeo Eiris
Republic of Colombia	Bond	COP85.5bn (USD22.6m)	10/08/2021 10 years	Sovereign	Non-conventional energy sources, efficiency, and connectivity; ecosystem services and biodiversity; sustainable land use; clean and sustainable transport; water management, use and sanitation; low-carbon buildings; waste and circular economy, management of natural disaster risk.	SPO Vigeo Eiris
Republic of Colombia	Bond	COP751bn (USD195.5m)	29/09/2021 10 years	Sovereign	Non-conventional energy sources, efficiency, and connectivity; ecosystem services and biodiversity; sustainable land use; clean and sustainable transport; water management, use and sanitation; low-carbon buildings; waste and circular economy, management of natural disaster risk.	SPO Vigeo Eiris
Banco de Bogotá	Bond	COP114bn (USD29.6m)	24/09/2020 9 years	Financial corporate	Renewable energy; electric transport; infrastructure; low-carbon buildings; water and waste; sustainable land use; biodiversity.	Assurance
Banco de Bogotá	Bond	COP186bn (USD48.4m)	24/09/2020 9 years	Financial corporate	Renewable energy; electric transport; infrastructure; low-carbon buildings; water and waste; sustainable land use; biodiversity.	Assurance
Interconexión Eléctrica	Bond	COP160bn (USD43.2m)	13/08/2020 9 years	Non-financial corporate	Solar and wind energy.	SPO SITAWI
Interconexión Eléctrica	Bond	COP140bn (USD37.8m)	13/08/2020 9 years	Non-financial corporate	Solar and wind energy.	SPO SITAWI
Patrimonio Autónomo Titularización TMAS-1 (FDN)	Bond	COP132bn (USD41.3m)	02/07/2019 9 years	Development bank	Sustainable transport.	SPO Sustainalytics
Empresa de Energía del Pacífico (EPSA)	Bond	COP140bn (USD48.2m)	23/07/2018 12 years	Non-financial corporate	Solar energy.	Certification (EY as Verifier)
Bancolombia S.A.	Bond	COP153bn (USD53.2m)	18/07/2018 5 years	Financial corporate	Renewable energy and energy efficiency, low-carbon buildings; clean production and sustainable transport.	None/ undisclosed
Bancolombia S.A.	Bond	COP147bn (USD50.9m)	18/07/2018 5 years	Financial corporate	Renewable energy and energy efficiency, low-carbon buildings; clean production and sustainable transport.	None/ undisclosed
Bancoldex	Bond	COP200bn (USD66.5m)	09/08/2017 5 years	Development bank	Renewable energy and energy efficiency, transport and low-carbon buildings.	SPO Sustainalytics
Davivienda	Bond	COP433bn (USD149.2m)	25/04/2017 10 years	Financial corporate	Renewable energy and energy efficiency.	None/ undisclosed
Bancolombia S.A.	Bond	COP350bn (USD115.2m)	05/12/2016 7 years	Financial corporate	Renewable energy and low-carbon buildings.	Assurance Deloitte

Colombia's first green sovereign bonds

In September 2021, Colombia became the first country in the LAC region to price sovereign green bonds with its debut COP-denominated deal. The deal supported the country's strategic sustainability priorities to meet environmental impact and risk management objectives.³⁰

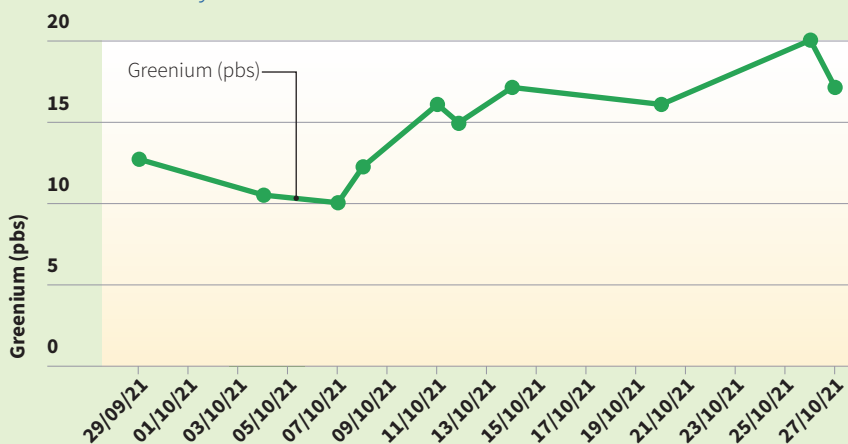
The COP2.1tn (USD549m) 2031 maturity was placed via three auctions. The first clip was originally COP500bn but upsized to COP750bn when it received interest of 4.6 times the size. The two subsequent auctions were oversubscribed by 1.5 times apiece.

Colombia modelled Germany's twin bond structure, whereby a vanilla bond is issued along with a green bond sharing similar characteristics. This makes it possible to directly measure the impact of the green label, with both deals trading inside their respective vanilla bonds in the secondary market (seven to 15 bps). This suggests high investor appetite for a large, liquid, COP instrument bearing the green label.³¹ 65% of the deal was placed with offshore funds.³²

Proceeds from the sale of the bond will be used to fund a portfolio of 27 expenditures in six categories:

- i.** Water management, sustainable use, and sanitation – 40%
- ii.** Clean and sustainable transportation – 27%
- iii.** Ecosystem services and biodiversity – 16%

Colombian sovereign green bonds trade inside vanilla twins in the secondary market



Source: Ministry of Finance and Public Credit

- iv.** Non-conventional energy sources, energy efficiency and connectivity – 14%
- v.** Waste and circular economy – 2%
- vi.** Sustainable, low-emission agricultural production adapted to climate change – 1%

The six categories reference the United Nations Sustainable Development Goals (SDGs).³³

In August 2022, Colombia's green financing framework was updated to reflect the Colombian Green Taxonomy. Both the Framework and the taxonomy are consistent with European practices and the government's strategic sustainability priorities.

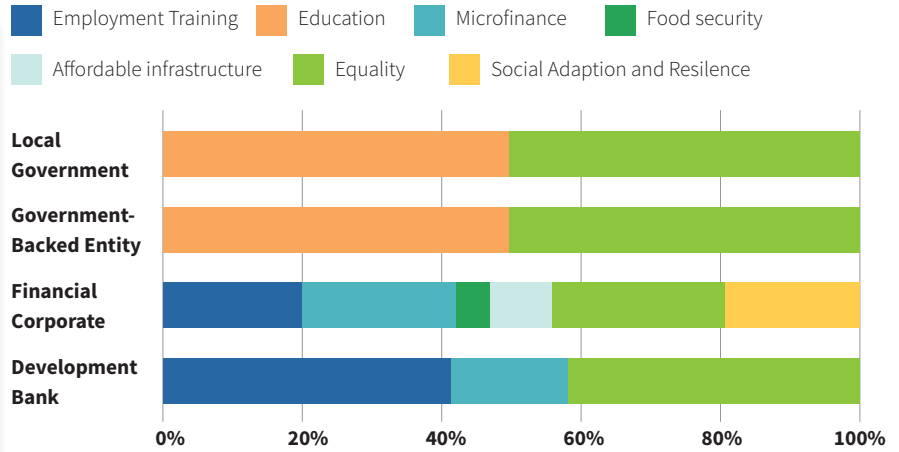
In 2020, Climate Bonds published the **Sovereign Green, Social, and Sustainability Bond Survey** based on interviews with 22 issuers of sovereign GSS bonds.³⁴ Issuers repeatedly remarked that local green market creation was both a motivation for and outcome of sovereign GSS bond issuance. The activity of issuing a thematic deal sends a signal to the market that the government is committed to transition, which attracts crowding in from the private sector.

Social bonds



Considering all the bonds issued in Colombia until December 2022, the year with the largest volume of social bonds was 2021, accumulating a total of USD190.3m. The deals considered are listed in the table below:

Social Use of Proceeds by issuer type



Source: Climate Bonds Initiative

Social bonds in the country have been mainly issued in COP (13 deals), with only one in USD.

All deals described obtained SPOs. Deals from Banco W S.A and Bancamía were reviewed by Vigeo Eiris, while those from the City of Bogotá were reviewed by Deloitte and from ICETEX by BDO Colombia.

The average ticket size of social bonds in the local market is USD88.6m, below the average of USD351m found in the broader LAC market. Additionally, social bonds in Colombia are predominantly shorter tenors with 73% of the amount issued maturing within five years.

Social Bonds						
Issuer name	Instrument	Amount issued	Issue date & maturity	Issuer type	Use of proceeds	External review
Bancoldex	Bond	COP209bn (USD51m)	11/05/2022 3 years	Development bank	Employment, microfinance, and equality.	SPO Sustainalytics
Bancoldex	Bond	COP291bn (USD71.1m)	11/05/2022 2 years	Development bank	Employment, microfinance, and equality.	SPO Sustainalytics
Mibanco	Bond	COP112.5bn (USD28.5m)	27/01/2022 3 years	Financial corporate	Employment, microfinance, and equality.	SPO Deloitte
ICETEX	Bond	COP157.4bn (USD40.2m)	15/12/2021 15 years	Government-backed entity	Education and equality.	SPO BDO, Colombia
ICETEX	Bond	COP38bn (USD9.7m)	15/12/2021 5 years	Government-backed entity	Education and equality.	SPO BDO, Colombia
ICETEX	Bond	COP97.4bn (USD24.9m)	15/12/2021 5 years	Government-backed entity	Education and equality.	SPO BDO, Colombia
City of Bogotá	Bond	COP103bn (USD25.8m)	02/12/2021 20 years	Local government	Education and equality.	SPO Deloitte
City of Bogotá	Bond	COP59.3bn (USD14.9m)	02/12/2021 12 years	Local government	Education and equality.	SPO Deloitte
Bancamía S.A.	Bond	COP120.5bn (USD32m)	22/06/2021 2 years	Financial corporate	Microfinance, food security and equality.	SPO Vigeo Eiris
Banco W S.A.	Bond	COP160bn (USD42.8m)	11/02/2021 3 years	Financial corporate	Employment, microfinance, and equality.	SPO Vigeo Eiris
Banco W S.A.	Bond	COP150bn (USD40.2m)	09/11/2020 4 years	Financial corporate	Employment, microfinance, and equality.	SPO Vigeo Eiris
Davivienda	Bond	USD100m	26/08/2020 7 years	Financial corporate	Employment, microfinance, affordable infrastructure, and equality.	SPO Vigeo Eiris
Bancoldex	Bond	COP400bn (USD139.3m)	24/05/2018 5 years	Development bank	Employment, microfinance, and equality.	SPO Sustainalytics

City of Bogotá social bonds

In December 2021, Colombia's capital city, Bogotá, became the first city in the LAC region to issue municipal social bonds. The framework was prepared under the Social Bonds Principles of ICMA and received an SPO from Deloitte.

The COP162bn (USD40.6m) deal was placed through the Colombian Stock Exchange (BVC). The deal attracted oversubscription of 2.4 times its size and was split between a 12-year (COP103bn/USD25.8m) and 20-year maturity (COP59bn/USD14.8m). It was the first of a four-part programme from the City of Bogotá.

The proceeds were earmarked for the **Jóvenes a la U** programme, which provides higher education until 2024 to 20,000 young Bogotá residents from low and medium-low-income backgrounds, contributing to SDG 4: Quality Education.

This programme seeks to increase the number of high school graduates pursuing higher education. The beneficiaries will receive economic support of one minimum wage to support their living during their higher education stage and encourage students to complete their education.

Bogotá is the capital of Colombia, located in the middle of the country, on the eastern side of the Andes. The city has 7.7 million inhabitants (2020) and with a 25.5% share of the country's GDP makes a substantial contribution to commerce, financial and business services in LAC.

Sustainability bonds



The Colombian market has only two sustainability bonds and both were issued in 2019. The first was placed by the national development bank Findeter for COP400bn (USD138m) and the second by the financial corporate Bancolombia for COP657bn (USD205.1m) in the modality of private placement where the IDB Invest subscribed the total amount issued. Both deals were placed in Colombian Pesos and obtained Second Party Opinions by Vigeo Eiris.

The UoP of both sustainability bonds in the Colombian market were focused on financing education, health, affordable infrastructure (social benefits) and energy efficiency, transport, water and sanitation, and sustainable buildings (environmental benefits).

The Colombian sustainability market has the potential contribute to a just economic transition. The ability to combine green and social UoP into a single instrument could lead to some larger ticket sizes in a market which has so far lacked scale.

Findeter: First sustainability issuer in Colombia

In mid-2019, Colombian development bank Findeter became the first Colombian issuer to price sustainability bonds. The COP400bn (USD138m) deal was split between five- and seven-year tenors, and attracted bids over COP1tn, covering the deal 3.4 times.

Proceeds were earmarked for projects with environmental and social impact including education, health, transport and water, and basic sanitation, contributing to 10 out of the 17 SDGs.

The IDB provided technical assistance through a program from SECO financed by the Swiss Embassy in Colombia.

The framework was aligned with the ICMA Green and Social Bond Principles and obtained an SPO from Vigeo Eiris.

Sustainability bonds

Issuer name	Instrument	Amount issued	Issue date & maturity	Issuer type	Use of proceeds	External review
Bancolombia S.A.	Bond	COP657bn (USD205.1m)	19/07/2019 6 years	Financial corporate	Green: Energy, buildings, transport, water and sanitation, waste, and industry. Social: Healthcare, employment, education, microfinance, food security, affordable infrastructure, and equality.	SPO Vigeo Eiris
Findeter	Bond	COP400bn (USD138.1m)	18/06/2019 10 years	Government-backed entity	Green: Energy, buildings, transport, water and sanitation, waste, and industry. Social: Healthcare, employment, education, microfinance, affordable infrastructure, and equality.	SPO Vigeo Eiris

Sustainability-linked bonds (SLB)



Colombia Sustainability-linked Scorecard

LAC Ranking	9th
Cumulative amount issued	USD129.7m
Number of entities	1
Number of deals	1
Average size	USD129.7m
Biggest issuer	Bancolombia S.A.

SLBs are currently the smallest theme in the Colombian thematic debt market. As of the end of 2022, Bancolombia was the only issuer to have priced a deal (see below). However, given that Colombia hosts many entities active

SLBs are forward-looking, performance-based debt instruments issued with progress towards entity-level key performance indicators (KPIs), e.g., GHG emission reductions, measured by sustainability performance targets (SPTs), e.g., the target reduction by a specific date. Used credibly and ambitiously, SLBs can be a powerful transition finance instrument for issuers to demonstrate to investors their commitment to their transition plans.

However, issuers and investors should be mindful of common pitfalls around issuing credible SLBs: they need to have credible SPTs, be calibrated in line with 1.5-degree pathways, and provide meaningful financial mechanisms and bond structures that hold issuers accountable to their targets.

It should be noted that comparing market volumes of SLB debt with other thematic debt is not relevant per se, because SLBs are mostly general-purpose financing, with unspecified UoP. At present, issuers without specific projects, assets, or expenditures can issue SLBs if they have sustainability targets in place, irrespective of the quality of those targets.

The forthcoming Climate Bonds Standard v4 will offer non-financial corporate entities the opportunity to obtain Climate Bonds Certification for SLBs. The integrity of the Standard and Certification Scheme reassures investors of the ambition and coherence of the performance targets, together with the delivery capability of the issuer.

in the hard-to-abate sectors, such as oil and gas, and mining, the SLB market has huge potential to grow and contribute meaningfully to the country's transition.

SLBs

Issuer name	Instrument	Amount issued	Issue date & maturity	Issuer type	External review
Bancolombia S.A.	Bond	COP640bn (USD129.7m)	25/10/2022 5 years	Financial corporate	SPO Sustainalytics

SLBs: Bancolombia

Bancolombia is a full-service financial institution operating in Colombia and Central America serving more than 25 million customers.

Bancolombia is a seasoned issuer of sustainability bonds, and in October 2022 priced its first SLB by a bank in the LAC region. This was a COP640bn (USD129.4m) deal privately placed with IDB, IDB Invest, and the LAGreen Fund.

Bancolombia's sustainability-linked financing framework is aligned with the ICMA Sustainability-Linked Bond Principles 2020 and obtained an SPO from Sustainalytics.³⁵

The LAGreen Fund Technical Assistance Facility is providing post-issuance support

to enhance the circular economy agenda and circularity measuring practices within the bank for its clients. IDB Invest and LAGreen supported on the deal structure to identify KPIs and assisted in the definition of associated SPTs.

Bancolombia's SLB framework is based on two KPIs:

KPI 1: Number of unbanked or underserved individuals given access to credit (contributing to SDG1, and SDG8)

The SPT for this KPI is to give 1.506.580 unbanked or underserved low-income individuals access to credit by the observation date of 31 December 2025.

KPI 2: Reduction of financed emissions intensity (tCO₂e/COPm)

The SPT for this KPI is to target the reduction of CO₂ financed emissions intensity to 0.0238t CO₂e/COPm with an observation date of 31 December 2025.

Failure to meet either SPT by its observation date will result in a 25bps coupon step-up for the remainder of the life of the bond. The bond matures in 2027.

Evolution of green finance in Colombia

Key milestones

Since 1994 the Colombian Government and other strategic players, such as regulators, financial institutions, and the private sector, have developed climate-related and sustainable finance initiatives (see below for a summary of

key milestones). Colombia's public and private sectors have collaborated to support green and sustainable finance development across the country. Integrating sustainable principles into policy frameworks can help attract a wider pool of investors, especially at an international level.

<p>1994</p>	<p>1996</p>	<p>2012</p>
<p>Law 164 of 1994 approved the United Nations Framework Convention on Climate Change (Government of Colombia).</p>	<p>National Climate Change Adaptation Plan (PNACC) (Government of Colombia).</p>	<p>Creation of the Green Protocol to support sustainable finance in the banking sector. Ratified in 2017 and 2022 (Asobancaria).</p>
<p>2018</p>	<p>2017</p>	<p>2016</p>
<p>The National Green Growth Policy was approved through CONPES 3934 of 2018 (Government of Colombia).</p>	<p>The PNCC establishes the country's vision and action framework for climate change governance (Government of Colombia).</p> <p>The Paris Agreement is approved, through Law 1844 (Government of Colombia).</p>	<p>Decree 289 approved the SISCLIMA whose objective is to coordinate, articulate, formulate, monitor, and evaluate the policies, rules, strategies, plans, programmes, projects, actions and measures regarding climate change adaptation and mitigation (Government of Colombia).</p>
<p>2020</p>	<p>2021</p>	<p>2022</p>
<p>The second version of the NDC was launched (Government of Colombia).</p> <p>Guideline 028 on green bonds includes a good practices' guide for the issuance of green bonds (based on International Capital Markets Association- ICMA). The objective is to promote and improve the transparency and integrity of this market through the establishment of structuring and reporting standards that must be followed when green bonds are issued (Financial Superintendence of Colombia (SFC)).</p> <p>SFC and Colombia's Central Bank joined the Network for Greening the Financial System (NGFS) for Central Banks and Supervisors.</p>	<p>Law 2169 on Climate Action established goals and minimum measures for carbon neutrality and climate resilience to promote the country's low-carbon development (Government of Colombia).</p> <p>Law 2099 on Energy Transition establishes measures for promoting energy transition, revitalization of the energy market and the economic reactivation of the country (Government of Colombia).</p> <p>E2050: Colombia's strategy towards a net-zero economy.</p> <p>Guideline 008 for the integration of Environmental, Social and Governance (ESG) matters in voluntary pension funds (SFC).</p> <p>Guideline 031 addresses the disclosure of information on social and environmental issues including climate matters for market issuers. The frameworks are stated in the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) – (SFC).</p> <p>SLBs are included in the BVC Guidelines.</p>	<p>Guideline 005 publishes the Colombian Green Taxonomy (SFC).</p> <p>Guideline 008 establishes regulation for SLBs following ICMA's SLB Principles (SFC). This standardizes the minimum information requirements for SLBs, including election of key indicators, sustainable performance objectives calibration, bond 's characteristics, external verification, and the issuer's reports.</p> <p>National Climate Finance Strategy (ENFC) adopted by the DNP.</p>

NB: For a closer view of the regulatory framework, check Appendix 2.

Public and private sectors collaborate to drive sustainable finance in Colombia

Both public and private initiatives have contributed to the development of sustainable finance in Colombia.

The government has regulated, created programmes, and designed strategies to strengthen the country's sustainable finance market. The private sector has also played an important role in developing green finance in the country by following national guidelines, incorporating best practices, and joining governmental guideline-setting. Banks, the BVC and the insurance sector are among the main stakeholders.

Initiatives between public and private players have been supported by the SISCLIMA committee, led by the National Planning Department (DNP).

Top initiatives from the public sector and development banks

1. The National Climate Change Policy (PNCC):

Aims to promote climate change management that contributes to moving towards a climate-resilient, low-carbon development pathway that reduces climate change risks.³⁶ It is estimated that between USD1.8bn and USD2.9bn is required annually to finance mitigation targets, and between USD1.2bn and USD2.2bn to meet 30 adaptation targets. Together with the Climate Change Law and the Climate Action Law (2018), this regulation will boost sustainable development in the country through the implementation of actions, principles, instruments, institutions, and information systems to meet the funding goals.



2. The Colombian Green Taxonomy: The first green taxonomy officially launched in Latin America and a global pioneer. The Financial Superintendence collaborated with the Ministry of Finance and Public Credit (MHCP) to lead the development of this tool, published in April 2022. The purpose of the Colombian Green Taxonomy is to avoid greenwashing by providing guidelines (based on science) on which economic activities or assets can be considered green, enhancing the development of green financial markets. It is structured to contribute to the following environmental goals:

- a. mitigation and adaptation to climate change
- b. water management
- c. circular economy
- d. pollution prevention and control
- e. conservation of ecosystems and biodiversity.

These were selected because of their economic relevance to the country and their potential contribution to the environmental goals

previously mentioned. The Colombian Green Taxonomy priority sectors are buildings, energy, transport, water, industry, waste management, ICT (information and communication technologies) and AFOLU (agriculture, forestry, and land use).

Implementation pilots to evaluate the alignment of financial and non-financial corporate portfolios to the Colombian Green Taxonomy have been done by Climate Bonds Initiative, Ambire Global and Metrix Finanzas to determine green bond issuance capacity and usability barriers. To encourage widespread adoption of the taxonomy, it is necessary to (i) build capacity to enable potential issuers, intermediaries, and investors to use this tool, (ii) develop sectorial proxies to evaluate the Colombian Green Taxonomy criteria when technical information is not available, and (iii) provide incentives for issuers that align their bond issuance to the Colombian Green Taxonomy.

3. The Comprehensive Territorial Climate Change Management Plans (PIGCCT):

Law 1931 from 2018 defines PIGCCT as tools through which territorial entities and regional environmental authorities identify, evaluate, prioritise, and define measures and actions for mitigation and adaptation of GHG emissions to be implemented differentially in the Colombian territory.³⁷ Currently the country has 24 PIGCCT that are tailored to the characteristics and needs of each territory.

4. Information management and project development tools: The Monitoring, Reporting and Verification System (MRV) and the Climate Finance Corridor have been developed by the DNP to boost climate finance in the country. The MRV's objective is to increase the effectiveness of climate finance through information management processes that support the understanding of climate finance flows towards mitigation and adaptation. Also, the MRV identifies investment gaps to address climate change.³⁸ In 2021, USD90.4m was registered on the platform, especially related to the areas of renewable energy, AFOLU, and risk management.³⁹ The Climate Finance Corridor aims to facilitate access to national and international funding for climate action projects and create a pipeline of sustainable bankable projects for the country.

5. The Green Bond Roadmap: In 2017, the Green Bond Roadmap was developed to support the Colombian Government and especially the Financial Management Committee of SISCLIMA. The purpose of the roadmap was to understand the potential of green bonds as financing instruments for programmes and projects that could drive green and sustainable growth in Colombia.

Key conclusions of the roadmap:

1. 'Colombia is designing the necessary policies and strategies for the transition to a green and low-carbon economy.'
2. 'Significant investments of resources are required to achieve the transformation to a green and low-carbon economy.'
3. 'To achieve a well-established and growing green bond market, it is necessary to develop a series of instruments and promote dynamics that remove existing barriers to achieve this objective.'

Additionally, the roadmap set out the following main steps:

1. Work on capacity building among players in the market and appropriate disclosure to foster comprehension of the matter.
2. Set guidelines to define green projects and related portfolios.
3. Define and include guidelines on how to manage raised funds and reporting for investors.
4. Permanently support the development of green portfolios.
5. Establish a green bond data platform.
6. Set guidelines on project monitoring and follow-up. Identify simple quantitative or qualitative indicators per project typology.
7. Continue with the development of innovative financial instruments complementary to green bonds.
8. Promote the market of currency swaps, jointly with financial agents.
9. Create alternative funds to promote the issuance of bonds rated below AA+.
10. Promote the demand of bonds from the secondary market, through additional regulations smoothing existing restrictions on the management of financial entities' portfolios.

Current advances of the roadmap

From the initial finding and barriers identified in the roadmap in 2017, Colombia has adopted a series of important measures that have positioned the country as an attractive market for local and foreign investors. One of the main achievements is that the Colombian market has made significant progress in climate finance by providing the market with green assets definition (Colombian Green Taxonomy) as well as having a clear regulation on the bonds market that provides the transparency required by investors.⁴²

Main advances that have been made on the roadmap are:

- Capacity-building efforts from the BVC, SFC and Asobancaria.
- SFC developing guides of good practices for the issuance of green bonds.
- The Colombian Green Taxonomy led by the SFC and the MHCP.
- Development of the green portfolio guide for banking institutions.
- Issuance of External Circular 031 of 2021 of the SFC on ESG and climate disclosure for issuers.
- Technical assistance on labelled bonds for financial and real economy market participants.

6. Planning, structuring, and financing support for the GSS+ market from national and multilateral development banks:

In 2021, Bancoldex lent over COP1.3tn (USD321.6m) to projects classified as green. Bancoldex has issued three social bonds and one green bond. National development bank Findeter has also supported the planning, structuring, financing, and execution processes of infrastructure projects contributing to the sustainable growth of different regions of the country.

The IDB has provided structured and integral support to the government and private issuers in Colombia. The IDB has helped to develop projects and financial instruments to enhance social inclusion, economic development, social equality, environmental sustainability, climate change mitigation and adaptation practices. Additionally, it has supported the MHCP to structure green and social bond frameworks. The IDB has also worked with the DNP and the MADS supporting policies and commitments to deliver the country's green finance agenda.

The International Finance Corporation (IFC) has played an active part in the development of sustainable finance in Colombia, including the technical coordination of the Colombian Green Taxonomy. It has supported different issuers in the country to structure financial instruments with an environmental and social focus (see Appendix 3).

Top initiatives from the private sector

7. Integration of the Colombian, Chilean and Peruvian stock exchanges:

In Q2 2023, the joint venture for a Regional Holding composed of the Colombian, Chilean and Peruvian stock exchanges is expected to launch, being fully operative by 2024. Projections estimate that the Regional Holding will generate income of around USD81m and net revenues of around USD20m, with 568 potential issuers. The creation of the Regional Holding seeks to simplify access to the regional capital market, reduce issuance costs, diversify products and services, and provide greater financial liquidity for investors.⁴⁰ One of the challenges for this integration is the homologation between the different regulations and processes of each country.



8. Development of the BVC's sustainable portfolio:

The BVC aims to provide alternative investment and financing opportunities in the Colombian capital markets. The stock exchange has included guidelines for the listing of thematic bonds, including green, social, sustainability, orange (subset of social) and SLBs.⁴¹

9. Creation of the Green Protocol: Led by Asobancaria, Colombia's national banking and financial institutions association, the protocol was signed in 2012 and renewed in 2022. To date, 25 banks have subscribed to the initiative. The main purpose of the Protocol is to generate a more sustainable financial system through climate change management, green products and services, eco-efficiency, an Environmental and Social Risk Analysis System (SARAS) and reporting and dissemination strategies.

10. Comparison of green insurance products with the Colombian Green Taxonomy:

In 2022 and in line with the SFC's sustainability strategy framework, Fasecolda (the insurance sector association) compared green insurance products with the Colombian Green Taxonomy and found that 22% of the insurance products were either 'directly green' (the insurance object is green and contributes to the Colombian Green Taxonomy's sectors) or 'indirectly green' (the insurance object is not completely related to the Colombian Green Taxonomy sectors or activities). In a second phase, Climate Bonds Initiative together with Ambire Global and Metrix Finanzas, compared insurance products bearing a green label with the Colombian Green Taxonomy and 23% of them were in, while 60% had a potential alignment and the rest were not aligned.

11. Technical assistance and capacity-building activities from investment funds:

There are multiple green impact investment funds in Colombia, but the LAGreen Fund is the only one with a mandate to invest in the country's capital market. The fund leverages its great potential of becoming a leader in the development of the Latin American thematic bond market. In 2022 the LAGreen Technical Assistance Facility (TAF) partnered with Asobancaria and Universidad de los Andes' Centro de Finanzas Sostenibles (Sustainable Finance Centre) to provide tailor-made capacity-building sessions to financial institutions.

In October 2022, the LAGreen Fund invested USD19m in an SLB issued by Colombian financial institution Bancolombia. The TAF helped Bancolombia strengthen its circular economy strategy, which was one of the named areas to be supported by funds raised from the sale of the SLB.

Comparison of green insurance products with the Colombian Green Taxonomy

1134
Insurance products in Colombia

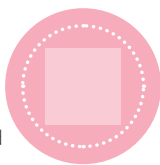
252
Products classified as "green"

23% of the "green" products aligned with the Colombian Green Taxonomy

60% of the "green" products potentially aligned with the Colombian Green Taxonomy

Adaptation and resilience in Colombia

The Intergovernmental Panel on Climate Change (IPCC) defines adaptation as the process taken to adjust to the actual or expected climate and its effects.⁴³ Discussions on



adaptation often advocate taking specific urgent actions before it is no longer reasonably possible to adapt to, minimise, or avoid harm from climate change. Such measures could include building sea walls to protect communities against sea level rise, installing new irrigation systems to combat water scarcity, or planting trees to reduce air pollution and cool urban areas. More rarely, adaptation may seek to take advantage of opportunities that climate change could bring, such as making new crop choices suited to the changed climate.

Resilience to climate change is defined as the capacity to prepare for, respond to, and recover from the impacts of hazardous climatic events while incurring minimal damage to societal wellbeing, the economy, and the environment. This entails a range of actions across policy, infrastructure, services, planning, education, and communication. Building climate resilience requires a holistic and multi-dimensional approach to enhance communities' social, human, natural, physical, and financial capacities to cope with and recover from the impacts of climate change.

Scaling up financing for climate adaptation and resilience (A&R) is urgent, particularly in regions most vulnerable to negative impacts. As Colombia further develops its thematic debt market, an enormous investment opportunity is being presented. The country could integrate resilience across labelled bond guidelines and policies as these are formulated and enhanced.

Nature-based Solutions

Investing in Nature-based Solutions (NbS) can provide cost-effective and sustainable ways to address climate change adaptation and promote community resilience, with associated social and environmental benefits.⁴⁸ As defined by the United Nations Environment Assembly, NbS are actions to manage and utilise natural ecosystems to address social, economic, and environmental challenges while also providing human well-being, ecosystem services, and biodiversity benefits.



Colombia's vast biodiversity can greatly benefit from projects that improve one or more aspects of ecosystem functioning. Activities such as agriculture (including livestock), water, and biodiversity are considered vulnerable. However, the primary beneficiaries of NbS strategies are transport and fisheries, classified as highly vulnerable activities.⁴⁹

Initiatives such as Cartagena's Marine Protected Area (MPA) projects with coral reefs conservation have demonstrated the importance of the involvement of local communities in strategic ecosystems management to improve the effectiveness of NbS.⁵⁰

Regarding urban projects, the **Green Corridor** in Medellín, which won the 2019 Ashden Award for Cooling by Nature Award, is a good example of NbS for urban environments. Medellín's city transformed the verges of 18 roads and 12 waterways into green corridors to provide shade to cyclists and pedestrians, cool built-up areas and clean the air along busy roads. The project has brought the temperatures down by more than 2°C on these blocks, reducing the impact of the heat island effect.⁵¹

A&R public policies in Colombia

The country has incorporated A&R considerations into public policies as a key component for sustainable development. The first of these were the Adaptation Fund (2011) and the National Plan for Adaptation to Climate Change (PNACC) (2022), introduced in response to the La Niña weather phenomenon.⁴⁴



A&R also features in the country's NDCs and the National Climate Finance Strategy (ENFC), prepared by the DNP and updated in 2022. This indicates that 70% of the costs for adaptation measures shall be allocated to the housing sector and emphasises the need to balance efforts between mitigation and adaptation.⁴⁵

Despite the advanced institutional agenda supporting A&R in Colombia, there is a severe lack of available projects suitable for inclusion in thematic debt instruments.

A World Bank study from 2021 identified opportunities to address A&R in Colombia including:⁴⁶

- i.** Revising the current legislation on the management of coastal zones;
- ii.** Promoting climate-resilient production systems in agriculture, forestry, and livelihood sectors to improve competitiveness, income and food security, especially in vulnerable areas;

- iii.** Providing financing mechanisms for community investments in adaptation;
- iv.** Facilitating community involvement on coastal erosion issues and problems related to land use;
- v.** Moving beyond awareness-raising, capacity-building and planning to actual implementation of appropriate adaptation measures at the watershed level; and
- vi.** Strengthening planning systems to optimise water uses across watersheds in the context of climate change.

Colombia has progressed its plans for A&R with the inclusion of adaptation as a key component in the ENFC, working to close the gaps in the country. While the World Bank study is recent, it will be interesting to see how these plans will be further developed in the upcoming years, considering local practices and international experiences. Furthermore, the Colombian Green Taxonomy is committed to further developing the adaptation objective in greater depth in the coming months, reflecting the country's dedication to addressing the A&R challenges of climate change.

A&R in the Colombian GSS+ market

Colombia's adaptation measures still rely primarily on public investments; however, these are insufficient to tackle the impacts of climate change in the territories due to its high costs – 30 targets estimated between COP5.8tn and COP10.5tn (USD1.6bn and USD2.9bn).⁴⁷ Private and institutional capital will also be needed to support Colombia's A&R efforts.



At the end of 2022, there were no thematic bonds originating from LAC labelled specifically as resilience bonds. However, there are bonds bearing GSS labels with some proceeds allocated to A&R, including a handful of deals originating from Colombia. One example is the Colombia sovereign green bond. Its framework provides a non-exhaustive list of categories where eligible projects can address A&R:

- Ecosystem services and biodiversity
- Sustainable agricultural production, with low emissions and adapted to climate change
- Sustainable buildings adapted to climate change
- Waste and circular economy
- Management of natural disaster risks associated with climate change

State of the economic sectors addressed in the Colombian Green Taxonomy

Aware of the need to mobilise capital for green and sustainable projects, the Colombian Green Taxonomy considers the sectors that are economically relevant to the country and where there is the greatest need of capital flows to finance projects. To identify green investment opportunities in the country, it is important to understand the context and state of the sectors included in the taxonomy and in the PND given its relevance in the next four years.

Energy

Colombia has one of the cleanest electricity matrices in the region, with 73% renewables and an emission factor of 0.126 tCO₂eq/MWh in 2021, largely due to its high dependence on hydroelectric power.⁵² However, like in almost all countries, the projection of electricity demand in the National Interconnected System is set to increase.



According to the NDP, one of the main national investment lines is the fair energy transition, the democratisation of energy generation and consumption and the promotion of clean energies (green hydrogen, wind, solar, etc.), as well as the design and implementation of energy solutions aimed at the improvement of infrastructure in non-interconnected zones at the national level.⁵³ Colombia has a significant potential to generate energy from renewable energy sources due to their availability. More than 150 power generation Colombian projects are registered at the Mining and Energy Planning Unit (UPME) with non-conventional energy sources.

Energy transition plan

The current administration in Colombia is working on a transition roadmap to support and direct the energy transition towards decarbonisation and diversification of the energy matrix. The roadmap is set to be presented in May 2023, and the IDB has announced a USD70m grant to invest in infrastructure and technology for the energy transition policy.^{90,91} However, the estimated cost of the energy transition is USD8bn in total for the next eight years and an alliance between the public and private sector will be key to achieving and executing energy projects.⁹² Sustainable financial instruments will be fundamental to obtain resources for transition projects through the capital markets.

Regarding the natural resources available, Colombia is a privileged country, which facilitates future production of low-emission hydrogen. Therefore, the National Government, through the Energy Transition Law 2099 of 2021, has set a beneficial fiscal framework for investment in non-conventional energy sources, including the production of green and blue hydrogen, thus providing greater certainty to investors.⁵⁴

Some of the measures the government has implemented to increase the share of renewables in its energy mix include the tenders of the Ministry of Energy involving wind and solar power, which were allocated with energy purchase agreements of 15 years.⁵⁵

Transport

The transport sector generates 11% of the country's GHG emissions and the government is promoting low-emission transport by offering incentives such as income deduction for electric vehicles, VAT exclusion, exemption from customs duties, and accelerated depreciation.^{56,57} Similarly, private banks provide green loans to purchase hybrid and electric cars.



The World Bank has supported several projects to improve urban public transport in different Colombian cities, including the construction of the TransMilenio bus rapid transit system and the future Bogotá metro network, which will generate 28,000 jobs and prevent more than 37,500 tonnes of CO₂ emissions per year.⁵⁸

The OECD indicates that some initiatives on improving micro-mobility regulation in LATAM, including Colombia, are mainly related to the legal framework, infrastructure, and data availability. Regulation should be based on indicators that reflect the objectives of the mobility policy.⁵⁹ Micro-mobility companies and governments must also develop better information-sharing and data-collection systems.

The LAC region has a significant infrastructure deficit. In Colombia, an infrastructure investment of 7% of GDP is needed yearly compared to the current level of 3.6%.⁶⁰ The NDP Plan, one of the main national investment lines regarding transportation, is strengthening rail, air, river, sea, and land transport infrastructure and systems.⁶¹

Climate change can have critical impacts on transportation infrastructure, such as the 2010-2011 La Niña phenomenon that damaged about 98 mayor roadways and resulted in an economic loss of USD1.9bn.⁶² Investing in climate-resilient infrastructure – both existing and new – is

therefore crucial. The Colombian legal framework encourages PPP investments and Decree 438 of 2021 promotes private investments in infrastructure projects, encouraging foreign investments to strengthen the PPP approach. However, it is also vital to ensure that developing road infrastructure projects, including 4G and 5G roads, avoids damages to ecosystems and ensures adaptation to climate change impacts.

Construction

Sustainable construction will have a role to play if Colombia is to achieve a 45% GHG emissions reduction by 2030 and reach zero by 2050, and green bonds and other thematic instruments can be an effective way to achieve this.^{63,64} The Colombia Sustainable Building Council has developed a green building rating tool called CASA Colombia, recognised as a proxy for compliance with international best practices. Additionally, the council created the '2030 Agenda for Sustainable Construction' which aimed to define a roadmap with concrete actions for the construction sector to achieve Colombia's environmental commitments based in four principles: (i) Reduce and optimise energy demand; (ii) Generate balance with renewable energies; (iii) Offset residual emissions; (iv) Plan for deep decarbonisation.⁶⁵



The building sector accounts for one-third of global CO₂ emissions, but it also offers an opportunity to mitigate emissions cost-effectively while stimulating a low-carbon economic growth. In Colombia, construction generates 3% of GHG emissions but the sector is expected to grow 9.8% in 2023, offering significant investment opportunities in green construction. Around 25% of the total proceeds of Colombian green bonds have been used for low-carbon construction or retrofit projects, demonstrating the potential for green finance to promote sustainable buildings.⁶⁶

Manufacturing

The manufacturing sector plays a critical role in the transition to a low-carbon economy and is a significant contributor to CO₂ emissions. To achieve Colombia's environmental commitments and meet the Paris Agreement targets, it will be necessary to mobilise investments to develop new technologies and products that make the transition viable. The manufacturing sector includes high-emitting activities such as cement, iron, steel, basic chemical products, and mining.⁶⁷



However, only 19% of the total bank credit in Colombia was given to the sector in 2021, highlighting the need for increased investment.

To address emissions associated with mining, the Colombian Government has updated the Integrated Climate Change Management Plan for Mining and Energy Sector (PIGCCme) to establish guidelines and actions to achieve carbon neutrality by 2050.⁶⁸ The Ministry of Environment and Sustainable Development has also implemented initiatives such as a unique environmental registry for the manufacturing sector, an information system to obtain standardised information on the use of exploitation of renewable natural resources in various manufacturing activities.⁶⁹

Waste

Colombia's generation of solid waste and waste products per capita has been increasing since 2015, reaching 536 kilograms per capita in 2019.⁷⁰ The Ministry of Housing, City and Territory is responsible for municipal waste policies and provides technical support to municipalities.⁷¹ Municipalities must have an integrated waste management plan based on a policy defining the objectives, goals, programmes, project activities, and resources for solid waste management.⁷²



Regarding wastewater, the most populous urban centres in the country experience the highest rates and harm from contamination. The Ministry of Housing estimates that about COP20tn (USD4.5bn) will be required from 2020-2050 to achieve wastewater treatment in the urban areas of 50 priority municipalities.⁷³

Circular economy

Colombia is showing growing interest in transitioning towards a circular economy, driven by the government's recognition of the benefits of sustainable development.⁹³ The National Circular Economy Strategy (ENEC) was launched in 2019 to create a roadmap for the country's transition to a circular economy, with six important flows prioritised for action: i) industrial and fast-moving consumer goods (FMCG) material, ii) packaging material, iii) biomass, iv) energy sources, v) water, and vi) construction material.⁹⁴

In addition to providing funding for sustainable projects and assets, thematic debt can encourage the private and public sectors to adopt more sustainable practices. As the appeal of sustainable investing globally grows, the market will see an increasing number of sustainable finance initiatives and instruments in Colombia, including GSS and transition bonds addressing circular economy activities.

The highest possibility for carbon capture and storage (CCS) potential in Colombia is in waste-to-energy. Low-cost financing and guarantees are essential to reduce the cost of capital for viable and beneficial CCS investments.⁷⁴

The Colombian Government has been making efforts to promote a more circular economy. The National Administrative Department (DANE) monitors variables such as demand pressure, demand for goods and services, conservation, or loss of value of materials in the production system, and the pressure on ecosystems from waste disposal.⁷⁵ Despite these efforts, Colombian waste management and circular economy activities are still in dire need of funding to move Colombia towards a more environmentally responsible economy.

Water

Colombia's water infrastructure faces challenges due to the heterogenous distribution of water resources and the threats posed by climate change. The country's Caribbean region is expected to face extreme climate change impacts and the Amazon region may see lower precipitation levels.⁷⁶ It is therefore crucial to continue financing projects that promote efficient water resource management. The Ministry of Housing has launched initiatives such as the Alliance for Resilient Aqueducts, among others, to ensure that various regions have disaster risk management plans and identify alternative water supply sources.⁷⁷



Additionally, the PND prioritises drinking water and basic sanitation as key investments areas, given that more than 3.2 million people lack access to adequate drinking water, with the majority being in rural areas.⁷⁸

Efficient water supply and sewerage systems not only promote emissions mitigation through their energy efficiency but also enhance cities' and municipalities' resilience to climate change. As Colombia's water resources face challenges, continued funding for water management is critical.

Information and Communication Technologies (ICT)

ICT is a necessary tool for environmental observation, weather monitoring and climate change prediction.⁷⁹ The growing threats of climate change have contributed to the rapid spread of ICT worldwide, creating opportunities to mitigate GHG emissions and build more resilient communities.



The demand for data centres is also increasing in Colombia, keeping pace with the country's digital transformation.⁸⁰ The DNP considers strengthening the ICT industry as a priority investment line.⁸¹ Statistics from the International Monetary Fund show that 3% of the total bank credit in Colombia was allocated to the sector in 2019.⁸²

Agriculture, Forestry and Land Use (AFOLU)

The agricultural sector generates a significant portion of Colombia's GDP. However, the use of substances such as fertilisers and pesticides contribute to soil pollution, and there is a need for sustainable practices to conserve healthy soil.⁸³



The Agricultural Sector Financing Fund (FINAGRO) is a key source of financing for the agricultural sector and promotes the development of the rural sector while stimulating investment in productive projects. It is important that such projects promote the conservation of biodiversity, water, and healthy soil.⁸⁴ The Nationally Appropriate Mitigation Action (NAMA) for sustainable cattle farming is a public policy that aims to reduce GHG emissions from meat and milk supply chains.⁸⁵ The successful implementation of NAMA requires the involvement of all relevant actors in the supply chains, including the financial sector, to offer options for accessing sustainable capital.⁸⁶

Forestry land management and conservation are essential for achieving sustainable development objectives in Colombia. Deforestation accounted for almost half of the country's emissions in 2014, mainly driven by land use changes toward pastureland, cropland, and illegal activities.⁸⁷ Getting capital to flow to forestry conservation projects is vital. The PND considers containing deforestation and implementing forestry development nuclei in the Amazon as a priority line of investment to achieve carbon neutrality and maintain biodiversity-rich sites.

Other opportunities looking ahead

The sectors addressed in Colombia's Green Taxonomy contain many activities that can be financed through labelled bonds that aim to mitigate GHGs while ensuring the 'do no significant harm' principle applies to other environmental objectives (such as pollution prevention and biodiversity conservation). The range of thematic debt instruments, including transition bonds and blue bonds – a subcategory of green bonds – could be used to achieve more sustainable development in Colombia.

Blue bonds

Colombia is a country with a vast and diverse coastline, which stretches for over 1,600 miles along the Caribbean Sea and the Pacific



Ocean.⁹⁵ Coastal management in Colombia faces various challenges, such as sea-level rise, overfishing, and coastal erosion. The Colombian Government has developed several integrated coastal management plans that seek to address these challenges through an integrated and coordinated approach that involves multiple actors and addresses the specific challenges of each coastal region.

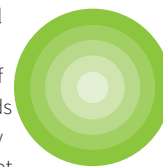
Some of these specific plans include: (i) Integrated Management and Development Plans for the Coastal Environmental Unit; (ii) National Plan for Integrated Coastal Management; (iii) Integrated Coastal Zone Management Plans; (iv) Action Plans for Adaptation to Climate Change on the Caribbean and Pacific Coast; (v) Fisheries Management Plans.

Goal 14 of the SDGs recognises current marine ecosystem challenges. In Latin America, there has been growing interest in blue bonds to support sustainable ocean development and conservation efforts. The Inter-American Development Bank has also been involved in promoting blue bonds in the region and in 2021 IDB Invest became the first blue bond issuer in the region.⁹⁶ Ecuador and Barbados have also seen blue bond issuance.

Blue bonds are an innovative option for financing projects and assets with a positive impact on marine biodiversity and conservation. They can also be used for financing coastal management restoration and conservation projects, including areas where land meets the sea or other water bodies.

Blue bonds are particularly relevant in Colombia, a country between two oceans, one of the five nations with greatest marine diversity in the world, and where this type of instrument has not been issued to date. Investing in the conservation and sustainable use of the country's marine resources (as well as coastal management) thus offers immense potential.

Transition bonds are financial instruments designed to support the transformation of entities and industries towards more sustainable practices by financing activities that are not necessarily low or zero emission (and therefore not green), but which have a relevant interim role in the decarbonisation of various industries.



The transition label can enable the inclusion of a more diverse spectrum of sectors and activities in the field of sustainable finance. At present, transitional bonds come mainly from hard-to-abate industries and highly polluting ones, for example extractive industries such as mining and industrial sectors like steel, cement, and basic chemicals, as well as activities related to the AFOLU sector, in particular livestock farming.

As the market grows and evolves, and to avoid 'transition-washing', in 2020 Climate Bonds developed a [framework for identifying credible transitions](#) aligned with the Paris Agreement.⁸⁸ The framework stipulates five principles for an ambitious transition: i) alignment with 1.5-degree trajectory; ii) goals and pathways established by science; iii) offsets don't count; iv) technological viability trumps economic competitiveness; and v) action not pledges. This work has been built on since, with Climate Bonds providing more detailed and prescriptive guidance, including the 2022 release of the [Five Hallmarks](#) of a credible company climate mitigation transition.⁸⁹

- Paris-aligned targets
- Robust plans
- Implementation action
- Internal monitoring
- External reporting

Outlook

By the end of 2022, Climate Bonds had recorded GSS+ debt originating from Colombia with a cumulative total of USD2.4bn. Green is the dominant theme (53.7%) but there is representation in the social, sustainability, and SLB themes. The GSS+ market remains small but has the potential to support Colombia's objectives to protect its natural resources and ensure economic resilience.

Climate Bonds identifies seven recommendations within three pillars to strengthen and extend Colombia's GSS+ debt market:

- **Speed:** ensure rapid action
- **Steer:** tilt the whole economy to transition
- **Simplify:** clarify and streamline sustainable investment

[Climate Bonds' 101 Sustainable Finance Policies for 1.5°C](#) document includes more details.⁹⁷

1. Establish green securitisation/ aggregation facilities⁹⁸



Establishing an asset-backed securities (ABS) market in Colombia will help grow the pipeline of investible projects.⁹⁹ SMEs provide 35% of Colombia's GDP and 65% of employment.¹⁰⁰ **Financial aggregation** can enable private investment in smaller green projects. **Standardisation** of green mortgages and Real Estate investments could also increase scalability and facilitate aggregation.

Development finance can be invested in green aggregation facilities (warehouses/conduit entities) that can package assets and provide standards around contracts and loans accepted for packaging. Such aggregation facilities can drive the standardisation of contracts and credibility of green loans by setting out minimum requirements for green securitisation. Aggregation may need to be combined with other de-risking mechanisms such as concessional financing, guarantees and subsidies to enable private investor participation.

Aggregation mechanisms opportunity in Colombia

While Colombia's securitisation market is mostly limited to mortgage-backed securities across the real estate sector, these instruments also offer potential to fund renewable energy and energy efficiency projects. Furthermore, the establishment of new legal frameworks to introduce securitisation instruments to other economic sectors could help boost investments in water infrastructure, urban mobility, waste, land use and other sectors where the smaller size of projects prevents access to capital markets.

2. Scale up sovereign issuance

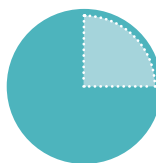


Colombia had priced USD549.4m of sovereign green bonds by the end of 2022. In August 2022, the country's Green Bond Financing Framework was updated to align with the Colombian Green Taxonomy to send a clear signal of endorsement to other issuers.

Sovereign GSS+ bonds can establish credibility in a country's climate commitments and increase the profile of sustainable projects. This in turn can attract private sector crowding in, multiplying the available investment capital. A commitment to cap the percentage of total public debt to be raised by GSS+ instruments can shift the resources needed to address climate change and boost private sector issuance.

As well as expanding green issuance, the Treasury could also extend its GSS+ liabilities into other thematic labels to raise their profile, and provide benchmark deals for local investors.

3. Dedicated green bond segment on Stock Exchange¹⁰¹



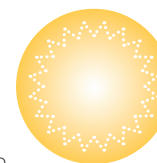
The regulator can collaborate with the stock exchange (BVC) to establish benefits and facilities for the issuance of thematic instruments. Establishing a differentiated and fast track procedure for the issuance of these instruments on the BVC may encourage issuers to prefer these types of instruments. For example, the Shanghai Stock Exchange and Shenzhen Stock Exchange offer fast tracks for green corporate bonds.¹⁰² Such actions promote the thematic debt market and can be effective for the BVC to establish the advantages of green products and their public listing.

4. Encourage national development banks to increase blended finance provision¹⁰³



The Grupo Bicentenario Initiative, created by the MHCP to improve the administration of state companies, oversees the NDB and can ensure climate action, such as increasing blended finance provision for green projects (i.e., those aligned with the Colombian Green Taxonomy). Blended finance involves separating the riskiest portion of a project into a junior capital tranche that can be purchased by the public sector, while the less risky senior capital is offered to private investors.¹⁰⁴

5. Provide green guarantees¹⁰⁵



The MHCP can de-risk green bond issuance by providing green sovereign guarantees to issuances compliant with the Colombian Green Taxonomy. Partial risk guarantees, or 'wrappers' offer issuers the government's credit rating while liquidity guarantees allow the extension of the debt tenor. This enables access to institutional investors and lowers the cost of borrowing, thereby encouraging private sector green bond issuance over vanilla issuance.

6. Green finance subsidies¹⁰⁶



As identified in the Green Bonds Roadmap, regulation and issuance costs are an entry barrier to the Colombian sustainable finance market. Although certification and external review costs are a small portion of total issuance expenditure, subsidies for these could help scale thematic issuance in the country. Singapore's Green and Sustainability-Linked Loan Grant Scheme, for example, covers the cost of assessment and verification and up to 60% of the cost of framework development.¹⁰⁷






The government can also provide interest rate subsidies or stamp duty exemptions to green bond issuance. However, there is a risk of subsidy allocation being dominated by large corporates. Reserving such policies for where it is most needed, e.g., SMEs, ensures the efficacy of such spending.

7. Expand the Green Taxonomy to increase the pool of potential issuers



Colombia has not seen GSS+ issuances funding biodiversity conservation, circular economy, or hard-to-abate sector transition. Further development of the Colombian Green Taxonomy to include more sectors, activities and objectives will increase the pool of potential GSS+ issuers and help scale the market. Currently, the taxonomy focuses on GHG mitigation. Adaptation criteria still need to be developed. This would both increase issuance and contribute to the achievement of the country's climate objectives.

Appendix 1: Examples of labels in each theme

 Green	 Sustainability	 Social	 SLB	 Transition
Blue	ESG	Affordable housing	Sustainability-linked	Transition
Climate	Positive impact	Education	ESG-linked	Blue transition
Green	Sustainability	Equality	SDG-linked	Green transition
Green (carbon neutrality)	Sustainability awareness	Gender	Social impact-linked	Low-carbon transition
Renewable energy	SDG	Healthcare	Social- and sustainability-linked	
Solar	Socially responsible investing (SRI)	SDG housing		
Environmental	Sustainable development	Town revitalisation		
Water	Green innovation	Youth		
PACE	Impact	Employment		
Sustainability		Impact		
SDG				
Climate resilience				
Impact				

Appendix 2: Legal Framework of Climate Change

Standard/Document	Description
Law 164 of 1994 – National Government	Adoption of the “United Nations Framework Convention on Climate Change”.
Law 629 of 2000 – National Government	Adoption of the Kyoto Protocol to the United Nations Framework Convention on Climate Change.
Resolution 2733 of 2010 – Ministry of Environment, Housing and Territorial Development	Procedure for national approval of programmes of activities (PoA) under the Clean Development Mechanism (CDM) and regulates the authorisation of lead entities.
Resolution 2734 of 2010 – Ministry of Environment, Housing and Territorial Development	Procedure for national approval of greenhouse gas emission reduction projects eligible for the Clean Development Mechanism (CDM).
Conpes 3700 of 2011 – National Planning Department (NDP)	Institutional Strategy for the articulation of policies and actions on climate change in Colombia.
Law 1523 of 2012 – National Government	National disaster risk management policy and National Disaster Risk Management System established.
Law 1753 of 2015 – National Government	Formulation and implementation of sectoral plans for adaptation to climate change and sectoral action plans for mitigation of the Colombian Low Carbon Development Strategy. Implementation of the National Strategy for Reducing Emissions from Deforestation and Forest Degradation, REDD+, in coordination with other ministries and public entities and the private sector within the framework of the national climate change policy.
Decree 298 of 2016 – Ministry of Environment and Sustainable Development	The organization and operation of the National Climate Change System is established, and other provisions are issued.
Law 1819 of 2016 – National Government	Establishes the national carbon tax.
National Climate Change Policy 2017 – National Government and Ministry of Environment and Sustainable Development	The objective is to promote climate change management that contributes to moving towards a climate-resilient, low-carbon development pathway that reduces the risks associated with climate change-related disruptions.
Decree 926 of 2017 – Ministry of Finance and Public Credit	Regulates the national carbon tax and the mechanism of non-causation of the tax.
Law 1844 of 2017 – National Government	Approval of the Paris Agreement adopted on 12 December 2015 in Paris, France.
Law 1931 of 2018 – National Government	Guidelines for the management of Climate Change.
Resolution 1447 of 2018 – Ministry of Environment and Sustainable Development	Regulates the system of monitoring, reporting and verification of mitigation actions at the national level.
Decree 446 of 2020 - Ministry of Environment and Sustainable Development	Rules applicable to verification bodies for the reduction of GHGs.
Law 2099 of 2021 – Energy Transition Law – National Government	States the Framework for the energy transition, the revitalisation of the energy market, and the economic reactivation of the country.
Resolution 1687 of 2021 – Ministry of Finance and Public Credit	States the adoption of the Framework of Sovereign Green Bonds of Colombia.
Law 2169 of 2021 – Climate Action Law – National Government	It sets out the minimum short-, medium- and long-term cross-sectoral targets and measures required to achieve carbon neutrality, climate resilience and low-carbon development.
Conpes 4075 of 2022 – National Planning Department (NDP)	States the strategies and processes of energy transition towards sustainable economic development.
Decree 172 of 2022 – Ministry of Environment and Sustainable Development	States the creation of the Intersectoral Commission of the Presidential Cabinet for Climate Action.
Resolution 2063 of 2022 – Ministry of Finance and Public Credit	States the creation of the “Framework of green, social and Sustainable Sovereign Bonds of Colombia” for the issuance of sovereign green, social, or sustainable bonds in the local market and/or in the international capital markets

Appendix 3: MDB participation in Colombia

MDB	Deal	Participation
IDB	First sustainability bond of a private entity issued by Grupo Bancolombia in 2019 (COP657bn/USD199.3m).	Subscribed 100% of the issuance.
	First orange bond issued by Bancoldex in 2019 of COP400bn (USD123.1m).	Provided technical support. ¹⁰⁸
	First green sovereign bond in local currency in 2021, worth COP750bn (USD185.6m).	Provided support in the preparation and adoption of the reference framework for Green Bond Issuance.
	Sustainability-linked bond by Grupo Bancolombia in 2022, worth COP640bn (USD131.8m).	Subscribed 86% of the issuance. ¹⁰⁹
	Sustainability loan in 2022 (USD300m) granted to the Colombian Government.	Granted by the IDB.
IFC	Green bond issued by Bancolombia in 2016 (COP350bn/USD116.7m).	Subscribed 100% of the issuance.
	Green bond issued by Davivienda in 2017 (COP433bn/USD144.7m).	Subscribed 100% of the issuance.
	Green bond issued by EPSA in 2018 (COP420bn/USD129.2m).	Subscribed 50% of the issuance.
	USD140m in credits linked to environmental goals from CELSIA in 2022.	Granted by the IFC.
	USD200m loan from BBVA Colombia in 2022 to support Colombia's green finance.	Granted by the IFC.

Appendix 4: GSS+ debt instruments available in Colombia

Colombian debt instruments suitable for thematic debt financing		
Debt instrument	Definition	Local instruments / example
Sovereign bonds	These are debt securities issued by government to raise funds for expenditures, such as refinancing or public projects.	Colombia's sovereign green bond , issued by the Ministry of Finance in 2021 (case study above).
Sub-sovereign (municipal/state) bond	The proceeds for these bonds are allocated to nominated projects and assets within the sponsoring region.	The City of Bogota issued social bonds in 2021 for USD25m and USD14. Targeting SDG4, the UoP were earmarked for university education for low and medium-low-income young people.
Certificate of Deposit	A 'certificate of deposit' is a bank deposit that cannot be withdrawn until maturity. They are generally issued by commercial banks with a specified maturity date, coupon rate, and payment dates. After issue, certificates of deposit are tradeable in a similar way to bonds and are often quoted on a yield basis.	Known as CDTs (Certificado de depósito a término) in Colombia.
Loans	A loan is a bilateral agreement between a lender and a borrower. The lender and borrower can be individuals or institutions. Borrowing costs are pre-agreed, and at the end of the term, the borrower repays the lender the principal amount.	In 2022, the IFC granted a US\$200m loan to BBVA , Colombia to support green finance. The loan supported climate-smart projects in all sectors, including agriculture, housing, and renewable energy.
Project bond	Direct exposure to the project(s) risk, with or without recourse project financing. The backing assets and the financial returns receive the credit rating.	In 2019, Colombian energy company Celsia priced a USD24m green bond to finance renewable energy projects in the country. The bond was Climate Bonds Certified, ensuring that the UoP were earmarked for climate change mitigation and adaptation.
Private placements	Investors directly negotiate these securities. Details of the transaction often remain confidential.	Bancolombia (2016, USD115m) and Davivienda (2017, USD149m) both issued private placements bought in full by the IFC.

Appendix 5: Stakeholders in the Colombian financial sector

The following list shows the main stakeholders in the Colombian financial sector that are or could be involved in the sustainable finance market:

Pension fund administration (AFPs):

[Colfondos](#)

[Porvenir](#)

[Protección](#)

[Skandia Colombia](#)

Commercial banks:

[Bancolombia](#)

[Davivienda](#)

[Banco de Bogotá](#)

[Banco Finandina](#)

[BBVA Colombia](#)

[Scotiabank Colpatría](#)

[Banco de Occidente](#)

[Banco Popular](#)

[Banco AV Villas](#)

[Banco Caja Social](#)

[Tuya](#)

Investment banks:

[Corficolombiana](#)

State financial entities:

[Bancoldex](#)

[Findeter](#)

[Finagro](#)

[Banco Agrario](#)

Microfinance banks:

[Banco W](#)

[Bancamía](#)

[Mibanco Colombia](#)

Governmental institutions:

[Superintendencia Financiera de Colombia \(SFC\)](#)

[Ministerio de Hacienda y Crédito Público \(MHCP\)](#)

[Ministerio de Ambiente y de Desarrollo Sostenible \(MADS\)](#)

[Departamento Nacional de Planeación \(DNP\)](#)

Private sector:

[Bolsa de Valores de Colombia \(BVC\)](#)

[ISA](#)

[Celsia](#)

Associations:

[Asociación Bancaria y de Entidades Financieras de Colombia \(Asobancaria\)](#)

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