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# **Colombia: ESG sovereign financing strategy**

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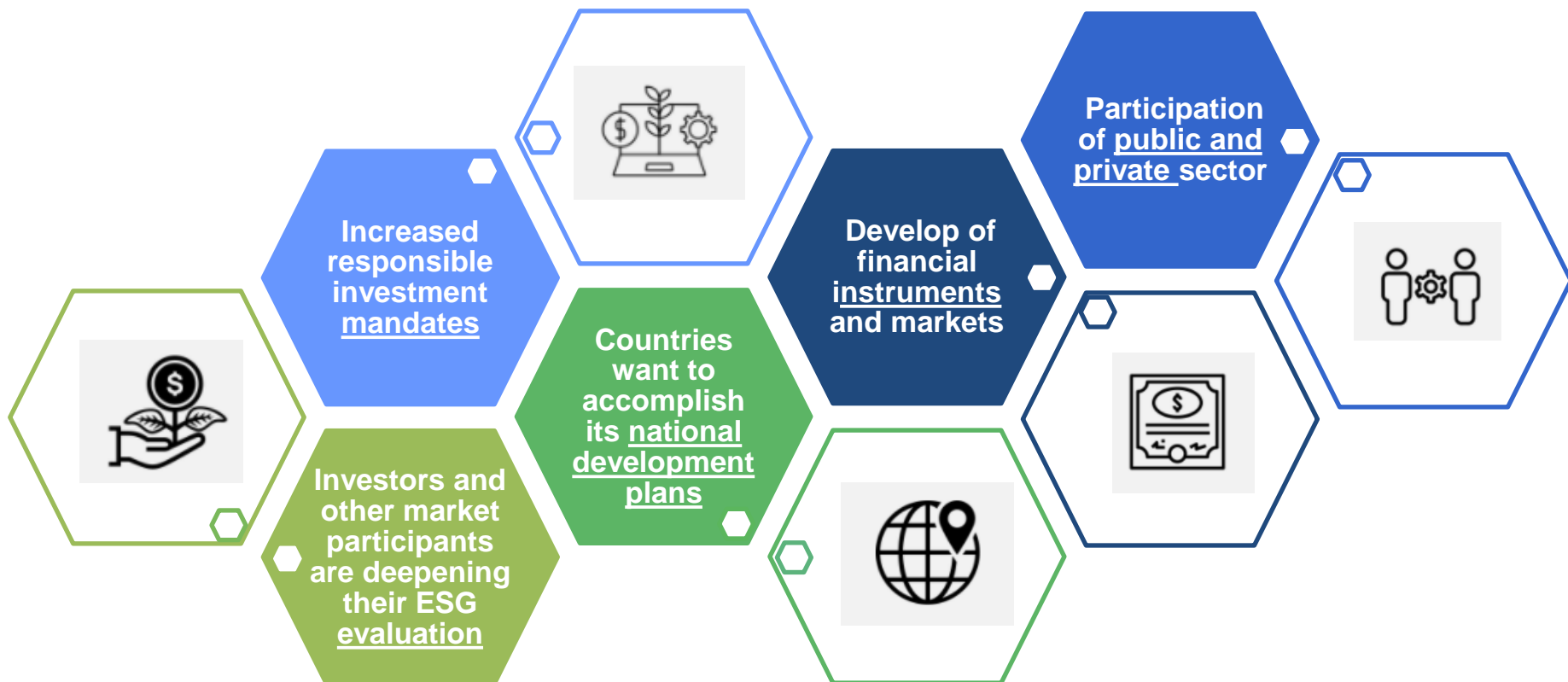
**April 2021**



- 1. Institutionalizing sovereign thematic bonds**
- 2. Alignment between local public policies and international agreements**
- 3. Green portfolio and framework**
- 4. Green TES auctions**
- 5. Green Taxonomy**
- 6. Opportunities to strength green bonds issuance and impact**



# Increased awareness on Environmental, Social and Governance (ESG) issues by investors and issuers

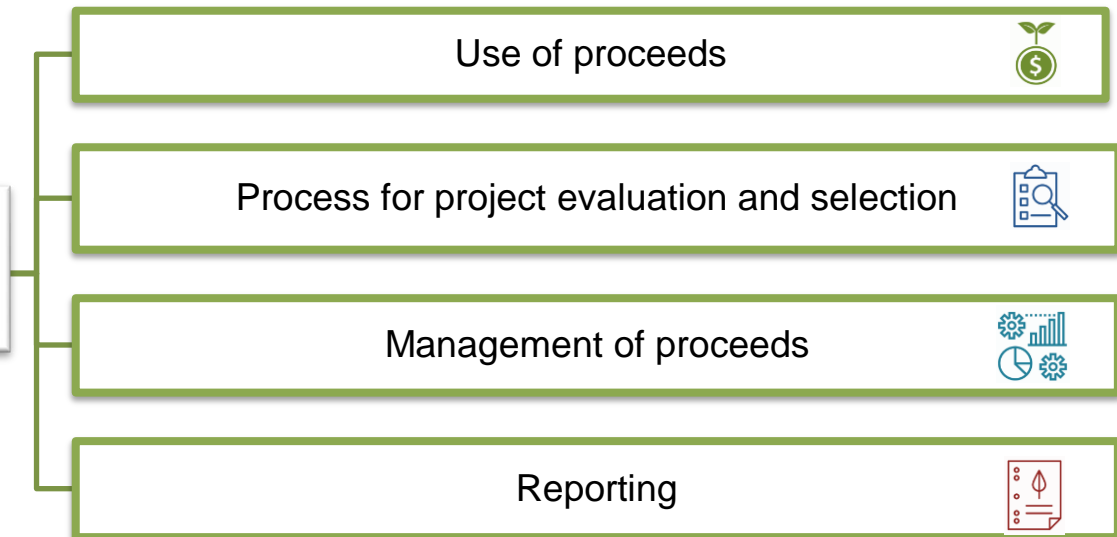




# 1. Institutionalizing sovereign thematic bond frameworks for sustainable financing



- Article 4 of Law 2073 of December 31, 2020, establishes that the Ministry of Finance should elaborate sovereign frameworks for thematic Bonds.
- The article includes green, social, sustainable, blue bonds, among others.
- These bonds are associated to public investment programs in the national budget.



## 2. Alignment between local public policies and international agreements



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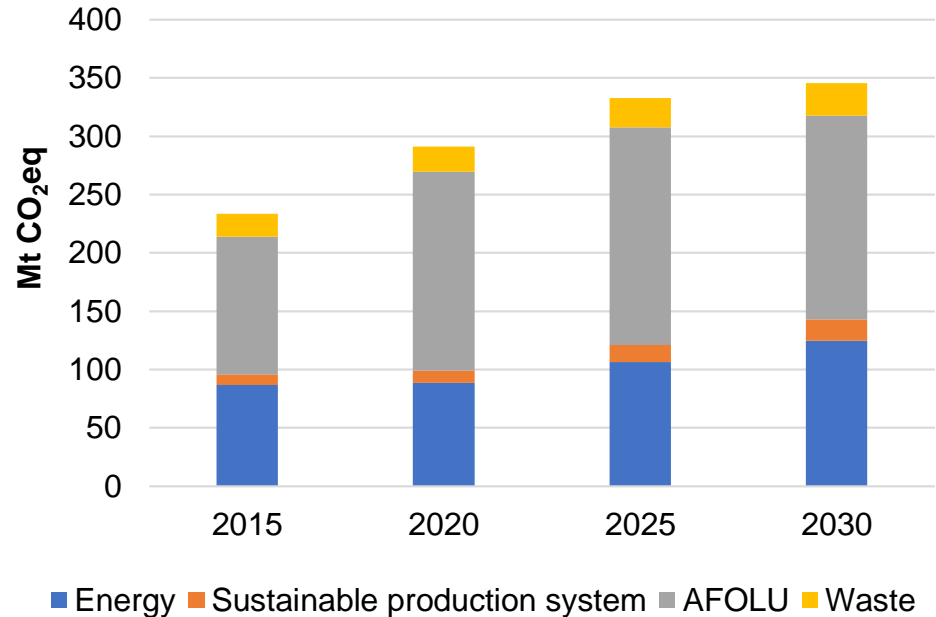
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### Paris Agreement (2015)

- It was ratified in Colombia by Law 1844 of 2017.
- NDC 2018: 20% GHE reduction by 2030.
- NDC 2020: 51% GHE reduction by 2030.
- Target carbon neutrality by 2050.

### Projected GHE by sector



**National Development  
Plan 2018-2022**

### Sustainability Pact

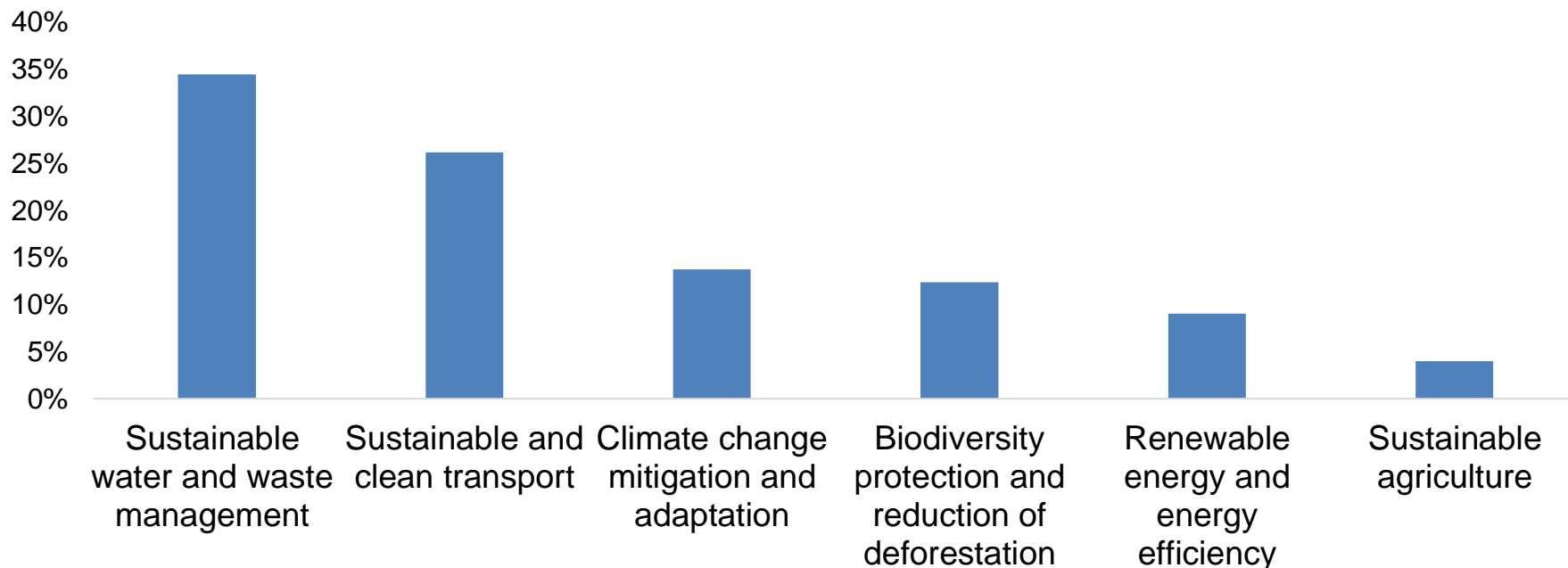
- Reduce the GHE in 36m Ton CO<sub>2</sub> eq.
- Halt deforestation by 2022 (today it grows by 23%).
- Double the hectares of sustainable production systems and conservation areas (from 701m H to 1.4 m H).



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### 3. Colombia built up a green bond portfolio and is advancing the external review of its green framework



#### Chile green bonds framework categories

Clean  
Transportation

Energy  
Efficiency

Renewable  
Energy

Living Natural  
Resources, Land  
use and marine  
protected areas

Water  
Management

Green  
buildings

## 4. Colombia will launch monthly auctions of green COLTES in 2H of 2021



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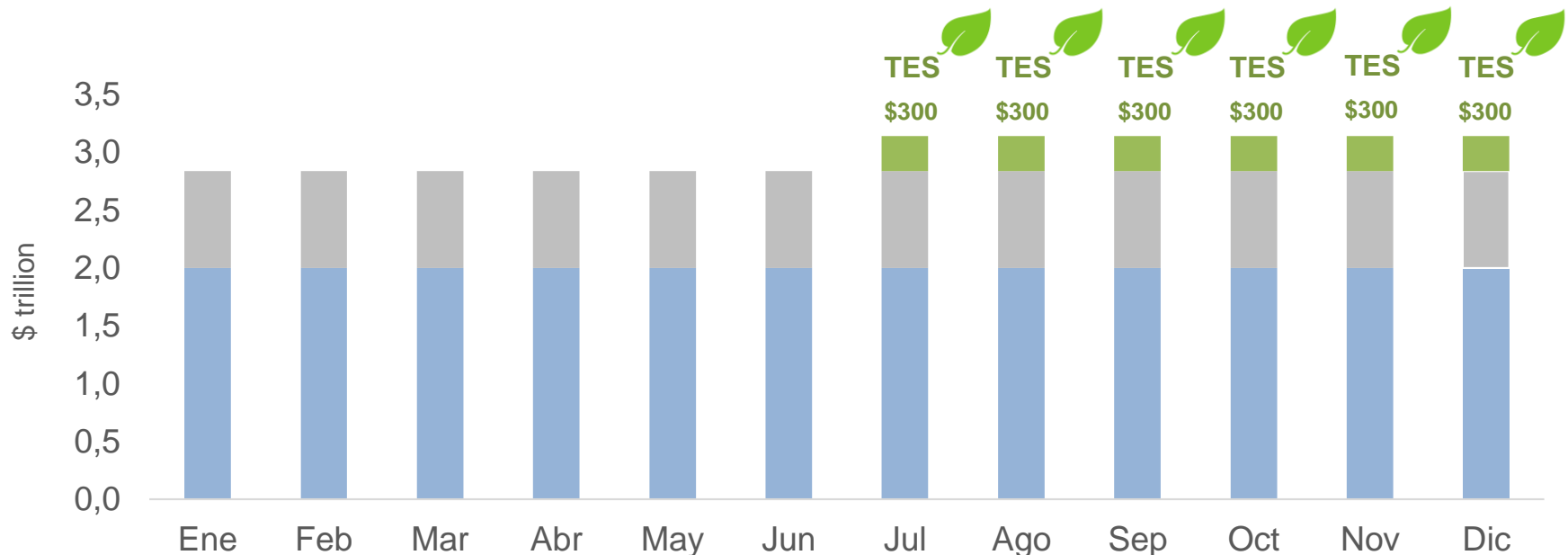
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### Objectives:

- Greening policy making, increasing impact on sustainability.
- Diversifying financing sources and investor base.
- Contributing to local capital market development and innovation.

### Issuance amount:

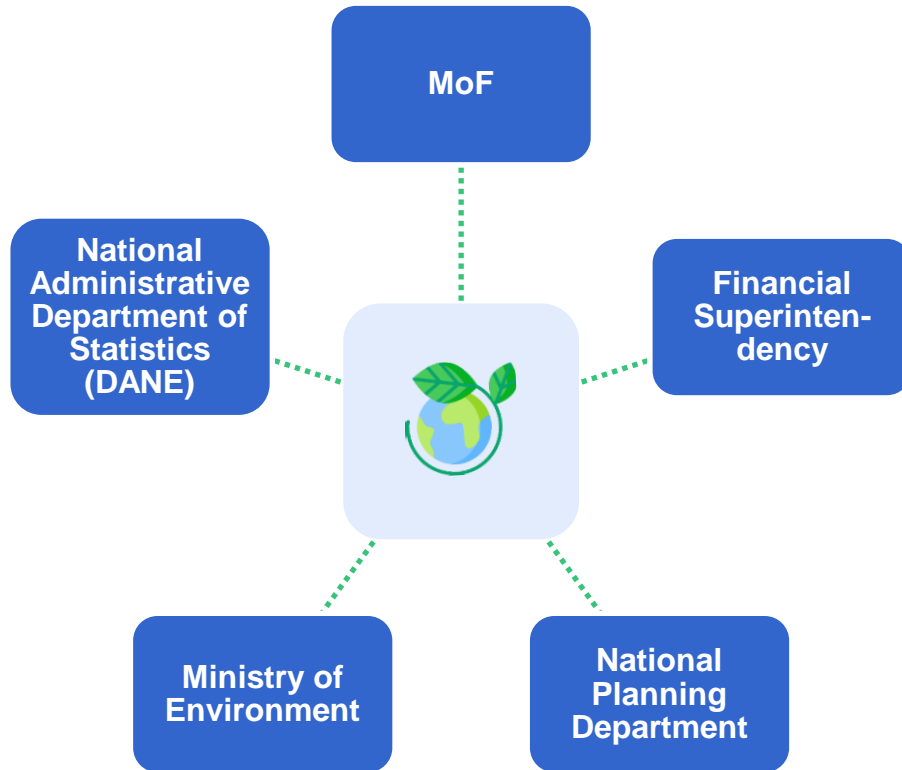
- The Government plans to issue between 1,5 – 2 trillion through monthly auctions, as included in the 2021 financing plan.
- The goal is to issue a similar amount in 2022 to become eligible for inclusion in international sustainability and local currency indexes.





## 5. A green taxonomy will facilitate project's identification and foster market transparency

### Intersectoral taxonomy roundtable



Validation and feedback

### Key topics

- High quality standards and international sound practices.
- Colombian context and idiosyncratic factors.
- User friendly for local and international investors.

### Technical Assistance







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## 5. Colombia will combine international standards with specific country characteristics

### Taxonomy sectors

#### Land Use Subsectors



Livestock and Agriculture



Forestry



Marine resources



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#### Climate Change target sectors



Energy



Green Buildings



Sustainable Transport



Industry



Information technology



Waste and pollution control



Water management



### Progress

Establish  
steering  
committee

Identify  
environmental  
objectives

Engage local  
technical  
experts

Elaborate Draft  
Taxonomy  
Documents

Public  
consultation  
process



## 6. Opportunities to strength green bonds issuance and impact

**Earmarking**

**Policy-based  
lending**

**Sustainability  
-linked  
bonds**



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