

# **Colombia's Green, Social, and Sustainable Sovereign**

**BOND FRAMEWORK**

**Ministry of Finance and Public Credit  
Republic of Colombia**



This framework, the portfolio of Eligible Green Expenditures and Social Expenditures and the review by an independent third party required the joint efforts of the public sector. Therefore, the Ministry of Finance and Public Credit and the National Planning Department are grateful for the technical inputs and participation of the Technical Directorates of the DNP and all of the entities of the national government.

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## Acronyms and Abbreviations

<b>AEAP</b>	Support for Businesses Affected by the National Lockdown
<b>BANREP</b>	Central Bank
<b>BEP</b>	Periodic economic benefits
<b>CBI</b>	Climate Bonds Initiative
<b>CEDAW</b>	Convention on the Elimination of All Forms of Discrimination Against Women
<b>CICC</b>	Intersectoral Commission on Climate Change
<b>CONFIS</b>	High Council on Fiscal Policy
<b>CONPES</b>	National Council of Economic and Social Policy
<b>DANE</b>	National Administrative Department of Statistics
<b>DGCPTN</b>	National Directorate of Public Credit and National Treasury
<b>DGPPN</b>	General Directorate of the National Public Treasury
<b>DNP</b>	National Planning Department
<b>DPS</b>	Department for Social Prosperity
<b>ECV</b>	National Survey of Life Quality
<b>ENSIN</b>	National Survey of the Nutritional Situation of Colombia
<b>EOT</b>	Territorial Ordering Scheme
<b>EPS</b>	Health service-promoting entities
<b>GBP</b>	Green Bonds Principles
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Greenhouse Gases
<b>ICE</b>	Economic Growth Indicator
<b>ICMA</b>	International Capital Market Association
<b>ICT</b>	Information and communication technologies
<b>IDB</b>	Inter-American Development Bank
<b>IDEAM</b>	Institute of Hydrology, Meteorology, and Environmental Studies
<b>IPM</b>	Multidimensional Poverty Index
<b>IPS</b>	Service-providing Institutions
<b>LAC</b>	Latin America and the Caribbean
<b>MHCP</b>	Ministry of Finance and Public Credit
<b>MSME</b>	Micro, small, and medium enterprises
<b>NDC</b>	Nationally Determined Contributions
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OAS</b>	Organization of American States
<b>PAC</b>	Annual Monthly Cash Transfer Program
<b>PAEF</b>	Formal Employment Support Program
<b>PWD</b>	People with disabilities
<b>PDET</b>	Development Programs with a Territorial Approach
<b>PGN</b>	General National Budget
<b>PIGCCS</b>	Comprehensive Sectoral Climate Change Plans
<b>PIM</b>	Comprehensive Migration Policy
<b>POT</b>	Territorial Ordering Plan
<b>PMI</b>	Framework for Implementing the Peace Agreement
<b>PND</b>	National Development Plan
<b>SBG</b>	Sustainability Bond Guidelines
<b>SBP</b>	Social Bond Principles
<b>SDG</b>	Sustainable Development Goals
<b>SGSSS</b>	General Social Security System in Health
<b>SISBÉN</b>	System for Identifying Potential Beneficiaries of Social Programs
<b>SISCLIMA</b>	National Climate Change System
<b>SMLMV</b>	Current Legal Monthly Minimum Wage
<b>VIP</b>	Priority Housing
<b>VIS</b>	Social Interest Housing





## 1. Introduction

Colombia (hereafter, “Colombia” or “the country”) is the fourth-largest economy in Latin America and the country with the second-greatest biodiversity per square meter in the world.<sup>1</sup> Colombia has the world’s greatest variety of species of birds and orchids and the world’s second-greatest variety of plants, amphibians, and freshwater fish. Its vast biodiversity, including the Colombian Amazon,<sup>2</sup> together with its human capital and its rich ethnic and cultural heritage,<sup>3</sup> are key elements of the country’s socioeconomic development.

Colombia also has a tradition of sound institutions and a history of prudent macroeconomic and fiscal management, which has enabled it to make advances in its economic and social development. Following the economic recession that plagued the country due to the COVID-19 coronavirus, it was necessary to implement timely strategies and actions to confront social, economic, and fiscal challenges. By implementing these strategies and actions, the country achieved a solid economic recovery that paved the way for economic growth, social investment, and fiscal sustainability in the medium term.<sup>4</sup>

<sup>1</sup> Instituto Alexander Von Humboldt (2020). Information System on Biodiversity in Colombia. Retrieved from: <https://cifras.biodiversidad.co/>

<sup>2</sup> Amazonia covers 23.3 percent of Colombia’s land mass (including its waters) and represents 42.3 percent of the continental territory. Región amazónica colombiana. Retrieved from: <https://siatac.co/la-amazonia-colombiana/>

<sup>3</sup> According to the National Population and Housing Census 2018, the Black, Afro-Colombian, Raizal, and Palenquera (NARP) population that year was 4,671,160 people, or 9.34 percent of the total population. DANE (2019). Retrieved from: <https://www.dane.gov.co/index.php/estadisticas-por-tema/demografia-y-poblacion/grupos-etnicos/informacion-tecnica>

<sup>4</sup> This is evidenced by unprecedented economic growth in 2021 of 10.6 percent of GDP, and 8.5 percent in the first three months of 2022, generating a fiscal adjustment that is reflected in the convergence of the debt and a reduction in the deficit. MHCP (2022). Medium-term Fiscal Framework 2022: Fiscally Sustainable Growth and Social Investment. Available at: <https://tinyurl.com/2yy9c78k>



Colombia is committed to sustainable growth and development, including medium and long-term objectives such as the Paris Agreement and reducing greenhouse gas (GHG) emissions by 51 percent by 2030, as agreed in the Nationally Determined Contributions (NDC) and the 2030 Agenda.<sup>5</sup> These goals have motivated the country's leadership on the international agendas to reduce poverty, increase access to basic and essential services, promote gender equality, preserve biodiversity, combat climate change and manage natural disaster risks, among others, while recognizing physical, human, and natural capital as pillars of sustainable growth.

Currently, Colombia guides its actions by the ambitious climate change and adaptation and mitigation goals, with the aim of consolidating processes that facilitate and promote economic growth and development, the population well-being, and the environmental conservation. The goal is to take advantage of the country's natural resources as a strategic asset of the Nation, while boosting the mobilization of resources for the transition towards a resilient, sustainable, low-carbon economy.<sup>6</sup> To achieve this objective, national and territorial structures have been designed within the framework of policies and programs implementation that will enable it to achieve the Sustainable Development Goals (SDGs).

With respect to social and economic development, the main goal is poverty reduction, reducing inequity throughout the national territory and among the different groups that make up Colombian society, with special focus on women and children, the migrant population, ethnic groups, people with disabilities, youth, and people with incomes below the poverty line as an essential group for the economic recovery and development of the country. In this way, Co-

lombia seeks to contribute to its goal of reducing multidimensional poverty to 8.4 percent by 2030,<sup>7</sup> thereby enabling the population to achieve higher standards of human development and improve their quality of life.

In this context, the Government of Colombia has developed this Framework, hereinafter the “Framework”, for the issuance of sovereign green, social, and sustainable bonds. The idea is to channel resources toward Nation's green and social investments and expenditures that contribute to the achievement of the country's environmental objectives, reduction of poverty and other inequalities, as well as increased productivity on a path of inclusive, climate change-resilient development. The goal is to achieve low-carbon growth in line with the commitments assumed in international agreements in the environmental, social, and sustainability areas, primarily the Paris Agreement<sup>8</sup> and the SDGs.

This Framework gives the Government of Colombia the possibility of issuing green bonds, social bonds, or sustainable bonds that support the country's environmental and social commitments. They are a key component of the development of the thematic bond market in Colombia. The Framework is aligned with the Green Bond Principles (GBP) 2021,<sup>9</sup> the Social Bond Principles (SBP) 2021,<sup>10</sup> and the Sustainability Bond Guidelines 2021<sup>11</sup> (SBG) of the International Capital Market Association (ICMA).

## 2. Regulatory

<sup>5</sup> United Nations (2015). Agenda 2030 for Sustainable Development. Retrieved from: <https://www.un.org/sustainabledevelopment/es/2015/09/la-asamblea-general-adopta-la-agenda-2030-para-el-desarrollo-sostenible/>

<sup>6</sup> Presidency of the Republic of Colombia, National Planning Department (2019). National Development Plan 2018-2022: “Pacto por Colombia, Pacto por la Equidad” [PDF]. Retrieved from: <https://tinyurl.com/27q6f79k>

<sup>7</sup> Presidency of the Republic of Colombia. PND (2019). SDG 1. End Poverty. End poverty in all its forms everywhere. Retrieved from: <https://ods.dnp.gov.co/es/objetivos/fin-de-la-pobreza>

<sup>8</sup> United Nations (2015). Paris Agreement. Retrieved from <https://unfccc.int/es/acerca-de-las-ndc/el-acuerdo-de-paris>

<sup>9</sup> ICMA (2021). Green Bond Principles. Retrieved from: <https://tinyurl.com/yhtxr42j>

<sup>10</sup> ICMA (2021). Social Bond Principles. Retrieved from: <https://tinyurl.com/28mwpwt6>

<sup>11</sup> ICMA (2021). Sustainability Bond Guidelines. Retrieved from: <https://tinyurl.com/y2p2x4tx>





## **Framework and Colombia's Environmental and Climate Commitments**

The short, medium, and long-term national commitments are aimed at the implementation of actions that achieve a balance between the country's economic development and conservation of the environment through agreements, standards, regulations, strategies, plans, and economic instruments which:



- i. Incentivize the productive sectors to be more sustainable, innovative, competitive and to reduce environmental impacts, focusing on climate change adaptation and mitigation;
- ii. Define biodiversity and natural capital as strategic assets of the Nation, controlling deforestation, conserving ecosystems, and preventing their degradation through territorial control and the generation of new sustainable economic opportunities at the local level;
- iii. Promote knowledge and prevention of disaster risk management and adaptation to climate change, guiding decision-making in development planning and incentivizing financial protection against disasters; and
- iv. Strengthen environmental institutions and research, by promoting social transformation that values biodiversity through environmental education and effective management of social and environmental conflicts.

These lines build on the commitments of the 2030 Agenda, reflected in the SDGs and in line with the Paris Agreement. Within the SDGs, there are “guiding goals” which include reducing the country’s deforestation, protecting ecosystems, reducing pressure on the use of polluting materials, and adopting renewable energy, among others. Among the goals established by the country by 2030 are the restoration of ecosystems through Payment for Environmental Services, and the national electro-mobility strategy published in 2019, which aims to reach 600,000 electric vehicles by 2030 in the following categories: taxis, passenger vehicles, light vehicles, light trucks, and official vehicles.<sup>12</sup>

In addition, Colombia has strengthened its regulatory framework with the aim of contributing to the achievement of the country’s environmental objectives. It has passed laws such as the Clean Transportation Law (1972 of 2019),<sup>13</sup> the Law on Climate

Action (2169 of 2021),<sup>14</sup> the Law on Energy Transition (2099 of 2021), and the Law on Environmental Crimes (2111 of 2021).<sup>15</sup> It has also developed a series of policies that aim to reduce the impact on natural resources, including the National Policy on Deforestation Control and Sustainable Forest Management, the Green Growth Policy, the National Policy on Urban and Regional Mobility, the National Policy for the Modernization of the Automotive Cargo Transport Sector, the Policy on Improving Air Quality, the Policy on Energy Transition, the Policy for the Circular

<sup>14</sup> Republic of Colombia (2021). Law No. 2169 of December 22, 2021, which fosters low-carbon development in the country by setting goals and minimal measures of carbon neutrality and climate resilience, and other provisions. Retrieved from: <https://tinyurl.com/2ddf4wg9>

<sup>15</sup> Republic of Colombia (2021). Law No. 2111 of July 29, 2021, which substitutes Title XI “On Crimes Against Natural Resources and the Environment” of Law 599 of 2000, modifies Law 906 of 2004, and issues other provisions. Retrieved from: <https://tinyurl.com/yf4x8szp>



<sup>12</sup> Ministry of the Environment and Sustainable Development (2020). Updating of Colombia’s Nationally Determined Contribution (NDC). Retrieved from: <https://tinyurl.com/25sdwh7k>

<sup>13</sup> Republic of Colombia (2019). Law No. 1972 of July 18, 2019, which establishes protection of the rights to health and a healthy environment, establishing measures designed to reduce emissions of contaminants from mobile sources and other provisions. Retrieved from: <https://tinyurl.com/2y3lma9o>





Economy for the Management of Drinking Water Services and Wastewater, the National Policy on Sustainable Buildings, the National Policy on Disaster Risk Management, and the National Policy on Climate Change, policy lines and the national program for payment for environmental services for peace building.

Since adaption and mitigation to climate change is considered a transversal policy, the country has developed agreements to achieve compliance with the emissions reduction goals proposed in the Paris Agreement framework, ratified by Law 1844 of 2017.<sup>16</sup> In the latest update to the National Development Contribution in 2020 (NDC), the government pledged to limit emissions to 169.44 million tCO<sub>2</sub>e by 2030 (equivalent to a 51 percent reduction in emissions compared to the 2030 emissions forecast in the reference scenario).<sup>17</sup> Additionally, in 2021, Colombia published the 2050 National Long-

term Climate Strategy (E2050) as a State policy instrument that orients national, sectoral, and territorial actions towards building a climate-resilient future in Colombia.

Among the economic instruments and financial mechanisms included in Colombia's NDC as one of the goals for 2030 is the development and implementation of the principles, methodology, and governance framework of the National Green Taxonomy. The country has made strides on this front; particularly, in April 2022, it became the first country in the Americas to publish its green taxonomy in line with the commitments, strategies, and policies related to the environment (See Box 1. Colombia's Green Taxonomy).

As part of its climate change-related efforts, the country established, through Decree 298 of 2016,<sup>18</sup> the National Climate Change System (SISCLIMA,

<sup>16</sup> Whereby the "Paris Agreement" was approved, adopted on December 12, 2015, in Paris, France.

<sup>17</sup> Nationally Determined Contribution (NDC).

<sup>18</sup> "which establishes the organization and functioning of the National Climate Change System and adopts other provisions."



for its Spanish acronym) and the National Policy on Climate Change, which responds to the need for guidelines, including actions and strategies that promote sustainable and low-carbon development.<sup>19</sup>

Law 1931 of 2018<sup>20</sup> sets guidelines for climate change management in the public and private sectors, and establishes SISCLIMA's Intersectoral Commission on Climate Change (CICC, for its Spanish acronym)<sup>21</sup> as the body responsible for inter-institutional coordination of the implementation of the National Policy on Climate Change. The CICC leads the sectoral coordination process to reduce GHG emissions in compliance with the NDC. It also coordinates the strategic lines that promote mitigation, among which are emission reductions from energy efficiency, electric mobility, and efforts to decrease deforestation.

Under this Law, the ministries and departmental authorities that participate in SISCLIMA must formulate and implement Comprehensive Sectoral Plans for Climate Change Management (PIGCCS, for its Spanish acronym) that enable the incorporation of GHG mitigation and climate change adaptation measures in the policies and regulations of the respective sector. These plans must include guidance for the implementation of adaptation and mitigation measures at the subnational level and their respective guidelines on their financing.

<sup>19</sup> Within these strategies are: the Colombian Low Carbon Development Strategy (ECDBC), the National Plan for Adaptation to Climate Change (PNACC), the National Strategy for the Reduction of Emissions due to Deforestation and Forest Degradation (ENREDD+), the National Disaster Risk Management Plan, the Financial Protection Strategy against disasters and the National Climate Financing Strategy.

<sup>20</sup> "which establish guidelines for the management of climate change."

<sup>21</sup> Decree No. 289 of 2016 established SISCLIMA, which is the group of public, private, and nonprofit entities that compile politics, rules, processes, resources, plans, strategies, and mechanisms to coordinate actions and measures for reducing GHG emissions and to contribute to climate change adaptation.

### Box 1. Colombia's Green Taxonomy<sup>22</sup>

Colombia's Green Taxonomy is a system that classifies economic activities and assets that make substantial contributions to the achievement of environmental objectives. They respond to the commitments, strategies, and policies made by Colombia related to the environment.

The Taxonomy encompasses a group of definitions aimed at supporting different actors in the public and private sectors, such as bond issuers, investors, financial institutions, and public agencies, among others to identify and evaluate investments that may comply with environmental objectives and that may be considered green or environmentally sustainable in Colombia. This taxonomy has a common language to facilitate the identification, classification, and differentiation of projects with environmental objectives, develop green capital markets, and stimulate the effective mobilization of private and public resources toward investments that enable the country to meet its commitments.

The taxonomy is currently composed of seven sectors (energy, construction, waste management and the capture of emissions, water supply and treatment, transportation, information and communication technologies (ICT), and manufacturing) that make a substantial contribution to the environmental goal of climate change mitigation, and with a differential and complementary focus on three soil use sectors (livestock, agriculture, and forestry), for which five environmental objectives under the Green Taxonomy were considered: climate change mitigation and adaptation, soil management, water management, conservation of ecosystems, and biodiversity.

<sup>22</sup> Colombia's Green Taxonomy. Retrieved from: <https://tinyurl.com/2ym48ckn>





### **3. Colombia's Regulatory Framework and Social Commitments**

Colombia's Political Constitution of 1991 establishes, among other things, fundamental rights, which are life, equality, and peace. It also establishes that general well-being and improvement in the lives of the population are social aims of the State, with the fundamental objective of solving unmet needs in the areas of health, education, environmental sanitation, and drinking water.<sup>23</sup> A number of regulatory instruments, such as Law 21 of 1991,<sup>24</sup> manifest interest in guaranteeing human rights, equal opportunities, and non-discrimination against communities, fomenting initiatives that guarantee the same rights for the entire population of Colombia.

<sup>23</sup> Republic of Colombia (1991). Political Constitution of Colombia 1991. Retrieved from: <https://tinyurl.com/yjwqzytf>

<sup>24</sup> Law that approved Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries, adopted by the 76th Meeting of the General Conference of the ILO, Geneva, 1989.



As a United Nations member state, Colombia was of the countries that in 2015 approved the 17 Sustainable Development Goals (SDGs) and 169 targets as part of Agenda 2030. For the country, Agenda 2030 provides a key opportunity to generate transformations and give impetus to themes of local, national, and international interest that improve the quality of life of its inhabitants, particularly the poorest and most vulnerable. Moreover, it is a tool to generate enabling conditions for a stable and lasting peace.<sup>25</sup>

The national government also defined goals to guarantee compliance with the SDGs, with 16 key challenges in CONPES Document 3918 of 2018.<sup>26</sup> Moreover, since the final negotiation of Agenda 2030, it made efforts to align its most important regulatory instrument of public policy planning, the National Development Plan (PND, for its Spanish acronym),<sup>27</sup> with the SDGs and guiding goals. Colombia also monitors compliance with the SDGs through the National Voluntary Reports<sup>28</sup> and encourages local governments to do the same.

The implementation of Agenda 2030 has a “High-level Inter-Agency Commission for the Recruitment and Effective Implementation of the Post-2015 Development Agenda and its Sustainable Development Goals,” (the SDG Commission), created by Decree 280 of 2015. This commission is the formal monitoring and decision-making platform for implementation of Agenda 2030 through public policies, plans, actions, and programs.

Additionally, in view of the importance of SDG 1: End Poverty, in Colombia, Article 211 of PND 2018–2022: Pact for Colombia, Pact for Equity created the Equity Table as the high-level strategic and decision-making body whose objective is to establish guidelines for reducing poverty and other inequalities that limit social and productive inclusion of the population. The Table brings together 11 government entities, including the National Planning Department (DNP) and the Administrative Department for Social Prosperity

(DPS), which jointly and permanently lead the Technical Secretariat.<sup>29</sup>

In addition to the above, Law 1955 of 2019 of PND 2018–2022, in its Articles 219, 220, and 221, establishes some instruments to identify and follow budget expenses for: i) attention to the Indigenous, Black, Afro-colombian, Raizal, and Palenquera populations; ii) peace building, or iii) women’s equity. This tool enables the government to monitor proceeds associated to cross-cutting policies to guarantee transparency and provide information to facilitate decision making.

Colombia has ratified the main international conventions aimed at the protection and promotion of fundamental rights and freedoms of people, such as the Universal Declaration of Human Rights,<sup>30</sup> the International Convention on the Rights of the Child,<sup>31</sup> the International Covenant on Economic, Social and Cultural Rights,<sup>32</sup> the Convention on the Rights of Persons with Disabilities,<sup>33</sup> Convention 169 of the International Labour Organisation (ILO)<sup>34</sup> Convention 189 of the International Labour Organisation (ILO),<sup>35</sup> the Worst Forms of Child Labour Convention,<sup>36</sup> the Convention on the Elimina-

<sup>29</sup> The functioning of the Table is regulated by Decree 1111 of 2020.

<sup>30</sup> UN General Assembly (1948). Universal Declaration of Human Rights (217 [III] A). Paris. Retrieved from: <https://tinyurl.com/yfwcr9rq>

<sup>31</sup> Republic of Colombia (1991). Law 12 of 1991 (January 22) “Whereby the Convention on the Rights of the Child adopted by the United Nations General Assembly on November 20, 1989, is adopted.” Retrieved from: <https://tinyurl.com/2b44rw8g>

<sup>32</sup> Republic of Colombia (1968). Law No. 74 of 1968, which approves the “International Covenant on Economic, Social, and Cultural Rights, the International Covenant on Civil and Political Rights, as well as its Optional Protocol, adopted unanimously by the UN General Assembly in New York, on December 16, 1966. Retrieved from: <https://tinyurl.com/2chsh9lz>

<sup>33</sup> Republic of Colombia (2009) Law 1346 of 2009, whereby the “Convention on the Rights of Persons with Disabilities” is approved. Retrieved from: <https://tinyurl.com/y235o3dm>

<sup>34</sup> Convention adopted in 1989 Concerning Indigenous and Tribal Peoples from Independent Countries, which is based on the right of equal rights of peoples and the rest of the population and in respect for their culture and institutions. It is the outcome of the review and updating of Convention 107 of 1957, which is the single international instrument that protects these peoples.

<sup>35</sup> Convention ratified by Colombia in 2014 on the protection of domestic workers. Establece los derechos y principios básicos, y exige a los Estados tomar una serie de medidas con el fin de lograr que el trabajo decente sea una realidad para trabajadoras y trabajadores domésticos.

<sup>36</sup> Republic of Colombia (2000) Law 704 de 2000 “by which

<sup>25</sup> National Planning Department. Agenda 2030 in Colombia. Retrieved from: <https://ods.dnp.gov.co/es/about>

<sup>26</sup> Republic of Colombia (2018) Strategy for the Implementation of the Sustainable Development Goals in Colombia. Retrieved from: <https://tinyurl.com/2jadlyxe>

<sup>27</sup> “PND 2014–2018: Todos por un nuevo país.” Retrieved from: <https://tinyurl.com/qttk6xp> “PND 2018–2022: Pacto por Colombia, Pacto por la Equidad.” Retrieved from: <https://tinyurl.com/qttk6xp>

<sup>28</sup> National Voluntary Report 2018 and National Voluntary Report 2021. Retrieved from: <https://ods.dnp.gov.co/es/resources>



tion of All Forms of Discrimination Against Women (CEDAW),<sup>37</sup> the Beijing Declaration and Platform for Action,<sup>38</sup> and has adopted the Global Compact for Safe, Orderly, and Regular Migration.<sup>39</sup> It has also aligned migration policy with the principal aims of the Global Compact on Refugees.<sup>40</sup>

The following sections present in detail some of the priority social themes for Colombia that have been given special consideration in the preparation of this Framework.

### Reduction of Poverty and Inequalities

One of the most important objectives and challenges facing the country in the social sphere is poverty reduction toward achieving its eventual eradication. Other issues derive from this social issue in the monetary or income area, as well as access to basic and essential services such as health, education, employment, and housing, which affect the development conditions and quality of life of the population. Associated with this scourge are a number of vulnerable populations, some due to their life stage and some others due to their own conditions or situations.

With respect to social challenges, the country has targeted its efforts on eradicating poverty, both monetary and multidimensional, by developing social and productive inclusion strategies for the population. It has also designed and implemented actions that prioritize the reduction of other inequalities of results and inequity of opportunities.

As one of its social policy tools, the Colombian government has implemented cash transfer programs, which have consolidated efforts to strengthen the social protection scheme as proof of the government's commitment to overcome poverty



and inequity. Thus, Colombia currently has the largest infrastructure in its history to protect the most vulnerable, placing the country above the average in terms of efforts carried out during the pandemic by countries in the region, and placing the country above average in and leading advances in poverty and inequality indicators.<sup>41</sup>

Thus, the Colombian government, aware of persistent social gaps in terms of poverty, continues to join efforts in the design and implementation of strategies and actions designed to improve the lives of the Colombian population living in conditions of poverty and inequality. In this way, it aims to achieve higher standards of human development and quality of life in the areas of health, education, access to housing and basic services, among others.

Two social issues that the government has addressed and developed in a cross-cutting way because of their importance in the country's social public policies are described in the box below.

Convention 182 Concerning Prohibition of the Worst Forms of Child Labor and Immediation Action for its Elimination, adopted by the Eighty-seventh (87th) meeting of the General Conference of the International Labour Organisation (ILO), Geneva, Switzerland, held on June 17, 1999." Retrieved from: <https://tinyurl.com/22e6ue8g>

<sup>37</sup> UN General Assembly (1979). Convention on the Elimination of All Forms of Discrimination Against Women. Available online: <https://tinyurl.com/2clwmo47>

<sup>38</sup> United Nations (1995). Beijing Declaration and Platform for Action. Retrieved from: <https://tinyurl.com/2cws9apa>

<sup>39</sup> United Nations (2018). Global Compact for Safe, Orderly, and Regular Migration. Retrieved from: <https://tinyurl.com/25243plu>

<sup>40</sup> United Nations (2018). Global Compact on Refugees. Available online: <https://tinyurl.com/22d67xff>

<sup>41</sup> MHCP (2022). Medium-term Fiscal Framework 2022: Fiscally Sustainable Growth and Social Investment. Available at: <https://tinyurl.com/2yy9c78k>



## Box 2. Transversal Social Topics

### Closing Gender Gaps

Among the social issues that Colombia addresses in a cross-cutting way in its social public policy are those related to closing gender gaps and boosting the potential of women and girls to contribute to the country's socio-economic development.

Colombia has reaffirmed its commitment to ensure and work explicitly toward gender equality and empowerment of women and girls. To do so, women and girls must achieve autonomy at all levels.<sup>42</sup> The national government has identified persistent obstacles in three areas: their economic autonomy, their decision-making autonomy, and their physical autonomy.<sup>43</sup> To this end, Colombia has a strong regulatory framework aimed at promoting gender equity, such as CONPES public policy document 161 on Gender Equity for Women, recently updated by CONPES 4080<sup>44</sup>

<sup>42</sup> Economic Commission for Latin America and the Caribbean (2014). Annual Report 2013-2014. Confronting Violence Against Women in Latin America and the Caribbean (LC/G.2626). Retrieved from: <https://tinyurl.com/29foes4s>

<sup>43</sup> Ibidem.

<sup>44</sup> Presidency of the Republic (2022). National

of 2022, Decree 810 of 2020,<sup>45</sup> and Law 2069 of 2020,<sup>46</sup> which build public policies designed to close gender gaps. This cross-cutting theme is also found in the country's Final Peace Accord.<sup>47</sup>

Additionally, in the Update of Colombia's Nationally Determined Contribution (NDC),<sup>48</sup> Colombia recognizes the differential impact of climate change on men and women and, especially, the role played by women in areas such as agricultural production, food security, and community resilience. It is committed to maintaining a cross-cutting focus on gender in the country's public climate action policies.<sup>49</sup>

### Migratory Phenomenon

Another cross-cutting theme in Colombia is attention to poor or vulnerable people affected by mixed migration, particularly migrants coming from Venezuela, who make up the majority of migrants in Colombia.<sup>50</sup>

Colombia has made strides in social, economic, and productive inclusion policies for the migrant population, with the construc-

Planning Department, National Council on Economic and Social Policy. CONPES 4080: Política Pública De Equidad De Género Para Las Mujeres: Hacia El Desarrollo Sostenible Del País. Retrieved from: <https://tinyurl.com/27xp3ewl>

<sup>45</sup> This creates autonomous assets of entrepreneurship, formalization, and business strengthening for women, with the aim of mitigating the effects of the social, economic, and ecological emergency.

<sup>46</sup> Its objective is to establish a framework that promotes entrepreneurship and growth, consolidation and sustainability of businesses, with the aim of increasing social welfare and gender equity, specifically in the area of women-led businesses.

<sup>47</sup> UN Women (2018). The Progress of Women in Colombia 2018: Transforming the Economy to Achieve Rights (executive summary). Available online: <https://tinyurl.com/228g8hqd>

<sup>48</sup> Government of Colombia (2020). Update to Colombia's Nationally Determined Contribution (NDC). Available online: <https://tinyurl.com/2j6ggqa5>

<sup>49</sup> Ibidem.

<sup>50</sup> Approximately 91.81 percent of all immigrants in Colombia come from Venezuela, 1.76 percent from the United States, and 1.33 percent from Ecuador. Expansión (2021). Colombia-Inmigración. Available online: <https://tinyurl.com/22ro3fe5>

<sup>50</sup> Ibidem.



tion and implementation of a regulatory framework and the adaptation of social policies to broaden coverage and meet the needs of the migrant population. Thus, with respect to public policy, Law 2136 of 2021 established the definitions, principles, and lines for the regulation and guidance of the Comprehensive Migration Policy (PIM, for its Spanish acronym) aimed at achieving safe, orderly, and regular migration under decent conditions.

In addition, through Decree 216 of 2021, Colombia adopted the Temporary Statute for the Protection of Venezuelan Migrants, consisting of the Single Registry of Venezuelan Migrants and the Temporary Protection Permit.<sup>51</sup> Additionally, the government adopted CONPES documents 3603 of 2009<sup>52</sup> and 3950 of 2018,<sup>53</sup> which document the comprehensive policy, strategies, and mechanisms of services to Venezuelan migrants; improve the production of statistics on migration, and set up observatories on migration and measurements of this population's integration. Moreover, the recently published CONPES 4100 of 2022<sup>54</sup> defines the strategy, lines, and actions to integrate the Venezuelan migrant population into national development. With these tools, Colombia is opting for integration and inclusion of the migrant population in education, health and housing, quality of life, employment, among other areas, through the protection and enjoyment of human, social, economic, and cultural rights of migrants.

<sup>51</sup> Republic of Colombia (2021). Por medio del cual se adopta el Estatuto Temporal de Protección para Migrantes Venezolanos - DECRETO 216 DEL 1 DE MARZO DE 2021. Retrieved from: <https://tinyurl.com/298fcwa4>

<sup>52</sup> Republic of Colombia (2009). CONPES 3603 Política Integral Migratoria. Retrieved from: <https://tinyurl.com/23kyc8qk>

<sup>53</sup> Republic of Colombia (2018). CONPES 3950 Estrategia para la Atención de la Migración desde Venezuela. Retrieved from: <https://tinyurl.com/y49t7n6c>

<sup>54</sup> Republic of Colombia (2022). CONPES 4100 Strategy to Integrate the Venezuelan Migrant Population as a factor of National Development. Retrieved from: <https://tinyurl.com/2ah5n3zz>

## Education

Education is considered an integral component of the socioeconomic development of the Colombian population, in addition to being an essential tool to achieve equity and overcome poverty.<sup>55</sup> The country has important challenges in the area of education, which are exacerbated by differences in access, continuance in school, and quality between urban and rural areas.

Law 115 of 1994, the General Law on Education,<sup>56</sup> establishes the foundations of public policy and the regulatory framework for pre-school, elementary, and secondary school in the country. In addition to that law, there are other tools, such as Law 30 of 1992, which contains the basic guidelines for higher education; Law 715 of 2001; the Single Regulatory Decree of the Education Sector 1075 of 2015<sup>57</sup>; the National Ten-Year Plan 2016 – 2026,<sup>58</sup> which is a road map for advancing toward a high-quality education system; and Law 1804, which establishes the State Policy on Comprehensive Early Childhood Development<sup>59</sup>, aimed at promoting and guaranteeing early childhood development of girls and boys from pregnancy until they reach six years of age; and Law 2155 of 2021, which implemented free tuition for students in higher education who come from the most vulnerable families. In addition, the government has designed and implemented other public policy instruments such as the National Educational Infrastructure Plan, among others. Thus, the government is focused not only on increasing coverage in education, but also in facilitating access and continuance in school and creating

<sup>55</sup> Presidency of the Republic of Colombia. National Planning Department (2019). National Development Plan 2018-2022: Pact for Colombia, Pact for Equity. Retrieved from: <https://tinyurl.com/qtkk6xp>

<sup>56</sup> Republic of Colombia (1994). Law 115 of February 8, 1994. Retrieved from: <https://tinyurl.com/y646tssw>

<sup>57</sup> Republic of Colombia (1994). Decree No. 1075 of May 26, 2015. Retrieved from: <https://tinyurl.com/2299b9oq>

<sup>58</sup> Republic of Colombia (2020). Ten-year Education Plan 2016-2026. Retrieved from: <https://tinyurl.com/2hptsagl>

<sup>59</sup> Republic of Colombia (2013). Strategy for Comprehensive Early Childhood Care: Political, Technical, and Management Foundations. Retrieved from: <https://tinyurl.com/lfooz9v>





a high-quality education system that is inclusive and equitable.

### **Employment Generation and Productivity**

Another challenge that Colombia faces in the social area is boosting productivity in all sectors of the economy to maintain and continue the social and economic progress achieved in the last 20 years. Achieving a favorable momentum between the labor market and employability is a vital social commitment. Productivity and competitiveness play an essential role in the acceleration of economic recovery, especially following the crisis caused by the COVID-19 pandemic.

Thus, micro, small, and medium-size enterprises (MSMEs)<sup>60</sup> play an important role in the country's growth and economic recovery. However, Colombia still has a high level of economic informality, especially in the rural sector, which is one of the main barriers for economic growth. In its attempts to contain this problem, the government has promoted projects to reduce unemployment and stimulate the economy, in line with the Law on Productivity and Competitiveness,<sup>61</sup> based on employment protection and creation programs. Additionally, it has pre-

pared a series of recommendations to address priorities identified in the Employment<sup>62</sup> and Internationalization Missions framework.<sup>63</sup> In this same vein, it has strengthened the regulatory framework through the approval of CONPES documents 4085 of 2022<sup>64</sup>, 3956 de 2019<sup>65</sup>, 3866 de 2016<sup>66</sup>, and 4040<sup>67</sup>, among others.

<sup>62</sup> Initiative which seeks to design viable strategies and policy instruments to improve performance in the labor market. These strategies will be implemented in the short, medium, and long terms.

<sup>63</sup> Initiative which seeks to contribute to the design and implementation of public policy strategies aimed at greater and more effective integration of the Colombian economy into the international economy. Its technical secretariat consists of the National Planning Department (DNP), the Vice-Presidency of the Republic, MinCIT, and the World Bank.

<sup>64</sup> National Planning Department (2022). Policy of Internationalization for Regional Productive Development. Retrieved from: <https://tinyurl.com/25t2rac5>

<sup>65</sup> National Planning Department (2022). Policy on Business Formalization. Retrieved from: <https://tinyurl.com/28l623c6>

<sup>66</sup> National Planning Department (2016). National Policy on Productive Development. Retrieved from: <https://tinyurl.com/2ablumq2>

<sup>67</sup> National Planning Department (2021). CONPES 4040: Pacto Colombia with Youth: Strategy to Strengthen the Comprehensive Development of Youth Retrieved from: <https://tinyurl.com/27m4kccd>

<sup>60</sup> See Annex 1 for a definition of MSMEs.

<sup>61</sup> Law 1253 of 2008, which regulates productivity and competitiveness.





### Peace Building

With respect to the commitments in the area of peace building, the Final Peace Accord, in addition to ending the armed conflict and guaranteeing justice for the victims, seeks structural transformation of the conditions that enabled the prolongation of the conflict over time and to ensure the Colombian people's full enjoyment of their rights. To this end, the government elaborated the Framework Plan for Implementation of the Peace Accord (PMI, for its Spanish acronym),<sup>68</sup> which guides the public policies required to comply with the Final Accord for the next 15 years. Additionally, the PMI has a differential focus on gender and ethnic communities, includes a territorial approach, and is the reference point for integrating peacebuilding components into the PND. Notwithstanding the provisions in the Peace Accord, Colombia has commitments to provide services to the vic-

tims of the armed conflict, which emanate from Laws 2078 of 2021 and 1448 of 2011.

Additionally, in accordance with stipulations in the Final Peace Accord,<sup>69</sup> throughout the 170 municipalities of the Territorial Development Program (PDET, for its Spanish acronym),<sup>70</sup> the government seeks to consolidate the National Government's planning and management instruments within the framework of the Comprehensive Rural Reform (RRI, for its Spanish acronym).

<sup>68</sup> Republic of Colombia (2018) Implementation Framework for the Peace Agreement. Retrieved from: <https://tinyurl.com/2pxshqmg>

<sup>69</sup> National Government and FARC-EP (2016). Final Agreement for the End of Conflict and the Construction of a Stable and Lasting Peace. Available online: <https://tinyurl.com/25jjsk2t>

<sup>70</sup> The Development Programs with a Territorial Approach (PDET) are a planning and management instrument of the national government (through the Territorial Renewal Agency - ART) para implementar de manera prioritaria y con mayor celeridad los planes sectoriales y programas en el marco de la Reforma Rural Integral (RRI) y las medidas pertinentes que establece el Acuerdo Final, en articulación con los planes territoriales, en las 16 subregiones que agrupan los 170 municipios priorizados, y asegurar así su transformación integral. Retrieved from: <https://tinyurl.com/2cdvp79p>





## **4. Main Criteria for Identifying the Target Population**

A significant part of Colombia's social problems are derived from the conditions of poverty and inequality among the population, for which reason this scourge is an important reference point for targeting the beneficiaries of the country's social policies. According to the United Nations, poverty is not merely a matter of lack of income;





it also includes a human rights approach.<sup>71</sup> Manifestations of poverty may include: hunger, malnutrition, the lack of decent housing, and limited access to other basic services such as drinking water and sanitation and essential services such as education and health.

Since the end of the 1980s, Colombia has developed several methodologies to quantify poverty in the country. CONPES 150 of 2012<sup>72</sup> sets forth the official methodologies for measuring poverty. This measurement of poverty uses two concepts: (1) monetary poverty and (2) multidimensional poverty, whose methodologies have recently been updated, incorporating into the former concept adjustments to the monetary poverty line and the extreme monetary poverty line.<sup>73</sup>

Monetary poverty is understood as generation of sufficient income and resources to access the minimal goods represented in the basic food basket. Multidimensional poverty analyzes access to basic services in health, education, employment, housing, and conditions of childhood and adolescence. The analysis of poverty of the Colombian population combines and incorporates these two definitions.<sup>74</sup>

In this respect, the social initiatives carried out by the government to overcome poverty have required policy instruments that target social spending. Since 1995, the government has implemented four versions of the System for Identifying Potential Beneficiaries of Social Programs (Sisbén, for its Spanish acronym), which uses statistical and technical tools to identify and organize the population for the selection and

allocation of subsidies and benefits by various agencies<sup>75</sup> and programs based on the socio-economic conditions of the population.<sup>76</sup>

On March 5, 2021, a fourth version (Sisbén IV) was launched, which classifies the population by different socio-demographic household variables. Based on this, 51 levels for Sisbén IV were defined, which are divided into four groups (see Figure 1):

- **Group A – Extreme Poverty:** This group consists of five levels representing households below the indigence and extreme poverty line (population with the lowest capacity to generate income).
- **Group B – Moderate Poverty:** This group consists of seven levels representing moderately poor households.
- **Group C – Vulnerable:** This group consists of 18 levels representing vulnerable households (population at risk of falling into poverty).
- **Group D – Neither Poor Nor Vulnerable:** This group consists of 21 levels that are not in poverty.<sup>77</sup>

<sup>71</sup> UN (2022) End Poverty. Retrieved from: <https://www.un.org/es/global-issues/ending-poverty>

<sup>72</sup> Republic of Colombia. Departamento Nacional de Planeación (2021). Documento CONPES Social 150 (2012). Retrieved from: <https://tinyurl.com/235y3rqp>

<sup>73</sup> DANE (2021). Updating of the Methodology for building monetary and extreme monetary poverty lines. Available at: <https://tinyurl.com/29dbbpz3>

<sup>74</sup> Prosperidad Social (2021). Poverty Profiles. Retrieved from: <https://tinyurl.com/28c8m4zz>

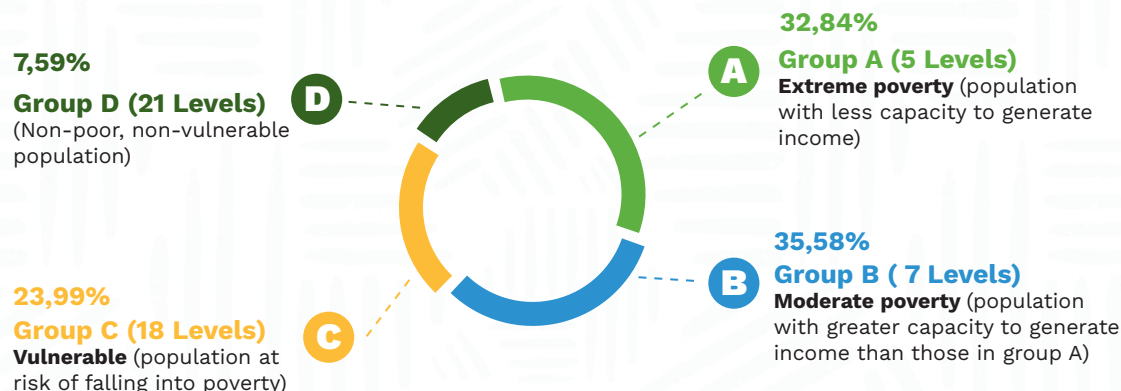
<sup>75</sup> It is important to highlight that the agencies that administer the social programs are responsible for establishing the conditions that people must meet to access them, and that being registered in Sisben does not guarantee entry into a social program. NDP (2022) Social Programs. Retrieved from: <https://tinyurl.com/yxo4f6wt>

<sup>76</sup> ARTÍCULO 2.2.8.1.1. System of Identification of Potential Beneficiaries of Social Programs (Sisbén), Decree 441 of 2017. Retrieved from: <https://tinyurl.com/2c644jwd>

<sup>77</sup> Prosperidad Social (2021). Technical document, Sisbén IV Fourth Phase of Operation. Retrieved from: <https://tinyurl.com/2caa2d74>



**Figure 1. Sisbén IV Classification of the Population<sup>78</sup>**



**Source:** Authors' elaboration. Figures updated to 2022, DPS-DNP.

There are also other tools, such as the Social Registry of Households, which has been implemented since 2020 and is in the process of consolidation, and has the objective to gather information on the social supply (offered by entities that provide programs or subsidies) and demand (socio-economic characterization by Sisbén IV and other sources) with the aim of becoming a targeting instrument with better-quality information. This instrument will facilitate the identification of households that have not been registered in social programs, and will enable the government to conduct ongoing monitoring of the changes in socio-economic conditions of those households, to identify those that require continuity and permanence in social programs.<sup>79</sup> With respect to housing and access to public services, it uses socio-economic stratification, which consists of

classifying residential real estate in strata whose aim is differential charging for household public services, enabling subsidies to be allocated and contributions to be collected.<sup>80</sup>

It is worth mentioning that, in addition to the poor or vulnerable population, there are other categories and targets of population groups toward whom the main social policies are directed, such as people with disabilities, ethnic groups, the unemployed, and the migrant population, among others. Annex 1 contains more information on the definition of the target population in Colombia.

<sup>78</sup> Authors' elaboration based on: Prosperidad Social (2021). Technical document, Sisbén IV, fourth phase of operation. Retrieved from: <https://tinyurl.com/2caa2d74>

<sup>79</sup> Article 2.2.8.5.3. of Decree 890 of 2022, Regulations on Articles 2, 3, and 4 of Legislative Decree 812 of 2020, related to the creation, administration, and implementation of the Social Registry of Households.

<sup>80</sup> The six socioeconomic strata in which housing and properties are classified are: 1. Lower-lower; 2. Lower; 3. Lower-middle; 4. Middle; 5. Upper-middle; and 6. Upper. Strata 1, 2 and 3 are low and are beneficiaries of subsidies in household public services, which are charged as contributions to strata 5 and 6 and industrial and commercial sectors. Stratum 4 neither contributes to nor benefits from subsidies.



# 5

## **5. Sovereign Bonds and the Colombian Government's Financing Strategy**

The national government uses three main sources of debt: i) issuance of public debt securities on the domestic capital markets through short- and long-term Treasury Bonds (TES, for its Spanish acronym), ii) issuance of public debt securities on international capital markets through placement of global bonds, and iii) loans from multilateral and bilateral development banks, notwithstanding other options that may arise in the markets that are beneficial to the Nation. The financing strategy is underpinned by a wide variety of sources, lenders, strategic alliances, and local and foreign investors.





Accordingly, the Colombian government is advancing in the issuance of green, social, and sustainable bonds as a public policy tool to give strong signals to the market with respect to the following:

- Colombia's commitment to the promotion of sustainable financing mechanisms that enable it to develop a low-carbon, climate-resilient economy, oriented toward conservation of ecosystems and biodiversity and focused on the country's social development in order to contribute to the reduction of poverty and other inequalities;
- Contribute to the development of the thematic, green, social and/or sustainable bond market, which promotes greater diversification of the base of investors, attracting more and more socially and environmentally responsible investors to the country;
- Alignment of financial, social, and environmental incentives for the different actors, such as the government, the private sector, investors, multilateral banks and international donor agencies;
- Contribute to the closure of existing financing gaps to meet the country's environmental and social commitments, facilitating the mobilization of sustainable resources and investments.





## **6. Framework for the Issuance of Sovereign Green, Social, and Sustainable Bonds in Colombia**

Article 4 of Law 2073 of 2020 assigned the Ministry of Finance and Public Credit (MHCP) with the responsibility to define the Framework for Public Debt Securities to Finance Sustainable Development. The MHCP will be in charge of elaborating and adopting through an administrative act the framework for the issuance of thematic public debt securities on behalf of the Nation, such as green bonds, social bonds, sustainable bonds, blue bonds, and all other similar bonds related to expenditures that stimulate sustainable development which are contained in the General Budget of the Nation (PGN, for its Spanish acronym).

Through Resolution 1687 of July 19, 2021, the MHCP adopted the Colombia Sovereign Green Bonds Framework for the issuance of green bonds on behalf of the country in the domestic and/or international capital markets. To advance



the country's sustainable financing strategy, the green component was modified in line with the Green Taxonomy of Colombia, and a social component was added. Thus, this new Framework will accompany the issuance of the Republic of Colombia's sovereign green, social, and/or sustainable bonds. It establishes pre- and post-issuance procedures. It aims to:

- Define the activities to be developed by the MHCP, the National Planning Department (DNP, for its Spanish acronym), and the ministries or agencies in the procedures before and after the issuance of green, social, and/or sustainable bonds of the Republic of Colombia, in line with their respective functions;
- Facilitate the identification of eligible green expenditures and eligible social expenditures;
- Establish the information necessary to draft post-issuance and allocation reports as well as results and impact reports.

This Framework is applicable to ongoing and future sovereign green, social, and sustainable bonds issued both in local and international capital markets which, in turn, must comply with Colombia's Public Credit Regime for the issuance of sovereign bonds.<sup>81</sup> The MHCP, through the General Directorate of Public Credit and National Treasury (DGCPTN for its Spanish acronym), in accordance with its responsibilities set forth in Decree 4712 of 2008, will be the entity responsible for preparing and updating the Framework as necessary, supported by the DNP and other central government entities and authorities.

Payments of principal and interest relative to the issuances made under this Framework will be made from the debt service appropriations in the PGN, executed by the DGCPTN, and will not be conditional upon the selection or performance of eligible green expenditures. Investors in the bonds issued under this Framework do assume any risk related to the specific projects indicated in the green and/or the social portfolio that accompanies each issuance (see section 6.1 Use of Proceeds). Additionally, green bonds is-

sued under this Framework rank *pari passu* with each other and with other domestic or external bonds issued by the Republic of Colombia.

Colombia's Green, Social, and Sustainable Sovereign Bond Framework is aligned with the ICMA Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP), and the Sustainability Bond Guidelines (SBG). It is presented based on the following components:

- Use of Proceeds
- Process for evaluation and selection of eligible green expenditures and eligible social expenditures
- Management of proceeds
- Reporting
- External review<sup>82</sup>

## 6.1 Use of Proceeds

The net proceeds of the green, social, and/or sustainable bonds issued by the Republic of Colombia, that is, the nominal amount issued at market price net of commissions and expenses, will be used to finance general budget purposes of the current year, under the principle of annual public budgeting.<sup>83</sup>

The Nation will present in the annual report (see section 6.4 Reporting), the amount allocated to eligible green expenditures and/or eligible social expenditures. This amount will be equivalent to the net proceeds of the issuance.

### Eligible Green and Social Expenditures

Eligible green expenditures and eligible social expenditures are expenditures included in the PGN, such as operating expenses, investments, and debt service, and should comply with the eligibility criteria specified in this Framework.

<sup>81</sup> Domestic or external public debt securities are regulated as stipulated in Decree 1068 of 2015, or any subsequent regulation that modifies or amends it. For the local market, any administrative act expedited for each current year must be verified, and for international capital markets, it must be verified by the regulations in force and the stipulations contained in the prospectus.

<sup>82</sup> Although external review is not one of the four components of the ICMA Principles, it is recommended as a best practice.

<sup>83</sup> Decree 111 of 1996, II. Of the principles of the budgeting system, article 14. Annuality. The fiscal year begins on January 1 and ends on December 31 of every year. After December 31, no commitments assumed may be charged to appropriations of the fiscal year that closed on that date, and any uncommitted appropriated balances will expire without exception.(L. 38/89, art. 10).

Eligible green expenditures and eligible social expenditures to be included in the portfolio and disclosed to investors in annual reports may include: i) recent expenditures, that is, expenditures included in the PGN of the fiscal year prior to the issuance of the green, social, and/or sustainable bond, provided that these have been duly committed; ii) current year expenditures of the PGN, that is, the year the green, social, and/or sustainable bond is issued; and iii) future expenditures to be made in the fiscal year following issuance of the green, social, and/or sustainable bond.<sup>84</sup> The annual report does not imply a budgetary reallocation of proceeds from the green, social, and/or sustainable bonds to expenditures classified as eligible green expenditures or eligible social expenditures.

Eligible green expenditures and eligible social expenditures are those whose funding sources are unrestricted resources, excluding PGN expenditures financed through specific purpose loans or with resources of the executing entity itself, to prevent double counting of green expenditures or social expenditures. Should recent expenditures be considered in the project portfolio of a bond issuance, the estimated percentage of such expenditures will be disclosed before each issuance.

### Criteria for the Classification of Eligible Green Expenditures

An expenditure must meet the following requirements to be classified as an eligible green expenditure:

- Contribute to at least one of the following environmental objectives, in line with the country's sustainable development needs, international commitments, and the Green Taxonomy of Colombia: i) climate change

<sup>84</sup> Decree 111 of 1996, Artículo 71. "...no authority shall incur obligations for non-existent appropriations, or in excess of the available balance, or without the prior authorization of the CONFIS (Supreme Council for Fiscal Policy) or by whoever it delegates, to pay future budget commitments (vigencias futuras), and to make commitments charged to authorized credit resources...".

mitigation, ii) climate change adaptation, iii) ecosystem and biodiversity conservation, iv) water management, v) circular economy, vi) pollution prevention and control, and vii) soil management;

- Contribute to the country's SDG "guiding goals,"<sup>85</sup> such as SDG 6: Clean water and sanitation, SDG 7: Affordable and clean energy, SDG 9: Industry, innovation, and infrastructure, SDG 11: Sustainable cities and communities, SDG 12: Responsible consumption and production, SDG 13: Climate action, SDG 14: Life below water, and SDG 15: Life on land, as well as the objectives of the National Development Plan;
- Reaffirm Colombia's commitment to environmental management and sustainable development; and
- Feature key environmental characteristics in its structure, aligned with the country's environmental regulations,<sup>86</sup> the definitions of green categories and, if applicable, aligned with the National Green Taxonomy and its thresholds.<sup>87</sup>

### Criteria for the Classification of Eligible Social Expenditures

An expenditure must meet the following requirements to be classified as an eligible social expenditure:

<sup>85</sup> For more information, visit <https://ods.dnp.gov.co/es/objetivos>

<sup>86</sup> The Colombian Environmental Information System (SIAC) webpage, the Single Regulatory Decree (Decreto Único Reglamentario) of the Environmental and Sustainable Development Sector, and the National Adaptation Plan, among others, compile most of this regulation.

<sup>87</sup> The first portfolio of projects with eligible green expenditures, distributed through 27 projects and 6 categories, was published in July 2021. It was verified by the SPO and it accompanies the issuance of green Treasury Bonds (TES) 2031. In 2022, the Green Taxonomy of Colombia was published. Therefore, it is expected that future portfolios of projects with eligible green expenditures will be aligned with the Green Taxonomy to the extent possible.



- Contribute to closing social gaps in at least one of the following social benefits, in line with the country's sustainable development needs and priorities and international commitments: i) poverty reduction, ii) reduction of social inequalities, iii) quality and access to essential services such as health and education, iv) promotion of stable and lasting peace, v) increase social, labor, and productive inclusion, vi) end hunger and all forms of malnutrition, vii) access to basic services and decent housing, and viii) empowerment of women and girls and ending gender violence;
- Be especially aimed at one or more target populations (the definition of target population can be found in Annex 1);
- Contribute to meeting the goal targets of the country's SDGs,<sup>88</sup> such as SDG 1: No poverty, SDG 2: Zero hunger, SDG 3: Good health and well-being, SDG 4: Quality education, SDG 5: Gender equality, SDG 6: Clean water and sanitation, SDG 8: Decent work and economic growth, SDG 9: Industry, innovation, and infrastructure, SDG 10: Reduced inequalities, SDG 11: Sustainable cities and communities, SDG 16: Peace, justice, and strong institutions, as well as the objectives of the National Development Plan; and
- Reaffirm Colombia's commitment to equity as a goal of building sustainable development.
- Investment in intangible assets (research and development, human capital, and organization);
- Specific projects and/or programs;
- Operating expenditures (especially for agencies, institutes, units, companies, or local authorities that contribute to the country's climate and environmental strategy or the design of social public policies);
- Transfers to finance or co-finance regional or local investment projects;
- Debt servicing of green, social, and/or sustainable bonds; and
- Any expenditure that can be used to implement Colombia's environmental and climate policy and any expenditure that can be used to implement the country's social policy.

#### Categories of Eligible Green Expenditures

Table 1 presents categories of eligible green expenditures, definitions and types of projects, and their corresponding SDG and associated national environmental goal. It is hoped that these categories will serve as reference points for future sovereign green or sustainable bonds. The categories of eligible green bonds are: i) Non-conventional energy sources, energy efficiency, and connectivity, ii) Ecosystem services and biodiversity, iii) Sustainable agricultural production with low emissions and adapted to climate change, iv) Clean and sustainable transport, v) Sustainable water management, use, and sanitation, vi) Sustainable buildings adapted to climate change, vii) Waste and circular economy, and viii) Management of natural disaster risks associated with climate change.

The categories and types of projects included in Table 1 are listed for illustrative purposes and are not exhaustive. Any expenditure included in the PGN that contributes to any of the green categories and meets the criteria can be considered eligible under this Framework.








#### Possible Eligible Green Expenditures and Eligible Social Expenditures

Eligible green expenditures and eligible social expenditures may include the following National Central Government expenditures:

- Investment in real assets (land, infrastructure, etc.)

<sup>88</sup> For more information, visit <https://ods.dnp.gov.co/es/objetivos>








**Table 1: Green categories and examples of Eligible Green Expenditures**

Green category	Definition and types of eligible green projects in Colombia <sup>89</sup>	SDG and associated environmental goal
Non-conventional energy sources, energy efficiency, and connectivity	<ul style="list-style-type: none"> <li>• Generation, improvement, and access to energy from non-conventional sources (photovoltaic solar, wind, hydroelectric, ocean, geothermal, biomass, biofuel and biogas, and others)</li> <li>• Energy efficiency or connectivity</li> <li>• Policy, laws, and research on energy transition</li> <li>• Energy transmission from non-conventional sources</li> <li>• Energy storage</li> <li>• Purchase of renewable energy, provided that it is subject to a long-term, renewable power purchase agreement (PPA) and has Renewable Energy Certificate</li> </ul> <p><b>Note:</b> In line with the taxonomy, for non-interconnected zones (ZNI), electricity generation must come from a number of sources (including non-conventional renewable sources), which will ensure continuity and reliability of service in different climate scenarios and will reduce potential damage to the environment.</p>	<p><b>SDGs: 7, 11, and 13</b></p>    <ul style="list-style-type: none"> <li>• MMitigation</li> <li>• Pollution prevention and control</li> </ul>
Ecosystem services and biodiversity	<ul style="list-style-type: none"> <li>• Reforestation, deforestation control, and forest governance</li> <li>• Protection, conservation, and sustainable use of biodiversity and ecosystem services</li> <li>• Protection and conservation of natural resources management</li> <li>• Management of ecosystems associated with water provisioning</li> <li>• Research and capacity building for the management of ecosystem services and biodiversity</li> <li>• Integrated pest management</li> <li>• Satellite systems analysis, aerial monitoring and control systems, and early warning protocols.</li> <li>• Improvements in the regulatory framework and forest governance to strengthen the enabling environment.</li> </ul>	<p><b>SDGs: 3, 6, 14, and 15</b></p>     <ul style="list-style-type: none"> <li>• Adaptation</li> <li>• Conservation and management of natural resources</li> <li>• Biodiversity conservation</li> </ul>









<sup>89</sup> The definition and types of projects in this Table are not exhaustive. The Government of Colombia may incorporate other eligible projects in the future.



**Table 1: Green categories and examples of Eligible Green Expenditures**

<p>Sustainable agricultural production, with low emissions and adapted to climate change</p>	<ul style="list-style-type: none"> <li>• Silvo-pastoral systems</li> <li>• Agroforestry systems</li> <li>• Other primary low-emission productive activities</li> <li>• Protection against climate risks</li> <li>• Agroclimatic information and early warning systems</li> <li>• Sustainable commercial reforestation or soil restoration</li> <li>• Sustainable agricultural production focused on protecting ecosystems, biodiversity, and water resources</li> <li>• Sustainable or low-impact agriculture</li> <li>• Fertilizer management</li> <li>• Organic or green fertilizers (use of vegetation cover)</li> </ul>	<p><b>SDGs: 2, 6, 12, 13, and 15</b></p> <div>    </div> <div>   </div> <ul style="list-style-type: none"> <li>• Adaptation</li> <li>• Mitigation</li> <li>• Pollution prevention and control</li> <li>• Conservation and management of natural resources</li> </ul>
<p>Clean and sustainable transport</p>	<ul style="list-style-type: none"> <li>• Urban development and mass passenger transport</li> <li>• Non-motorized mobility</li> <li>• Infrastructure for low-carbon transport systems, such as hydrogen service stations, electric vehicle charging stations, among others</li> <li>• Infrastructure for bicycle mobility</li> <li>• Reconversion and technological upgrading of the transport fleet</li> <li>• De-commissioning of highly polluting vehicles</li> <li>• Infrastructure for managing demand for low-carbon transport (e.g., intermodal transfer facilities for low-carbon modes, such as river and rail)</li> <li>• Low carbon-emission transport systems</li> <li>• Cargo transport of zero- and low-emission vehicles and multimodal transport that reduces GHG emissions</li> <li>• Air quality monitoring networks in mass transit systems</li> <li>• Services associated with the purchase, maintenance, recycling, and recharging of batteries for low-carbon transport vehicles</li> <li>• Specialized logistical infrastructure that promotes the intermodal transfer of cargo to low-carbon modes of transportation</li> <li>• Promotion of research by national industries related to zero and low-emission mobility</li> </ul> <p><b>Note:</b> Infrastructure devoted to fossil fuels or mixed fossil fuels is not eligible.</p>	<p><b>SDGs: 11 and 13</b></p> <div>   </div> <ul style="list-style-type: none"> <li>• Mitigation</li> <li>• Pollution prevention and control</li> </ul>






**Table 1: Green categories and examples of Eligible Green Expenditures**

<p>Sustainable water management, use, and sanitation</p>	<ul style="list-style-type: none"> <li>• Restoration in strategic area where basins that supply municipal aqueducts are located</li> <li>• Management of information and technologies for sustainable use, planning, and management of water resources</li> <li>• Construction and maintenance of aqueducts and sewers, and basic and environmental sanitation. The new systems of aqueducts must comply with the Regulation on Water and Basic Sanitation (RAS) in force.</li> <li>• Network systems for monitoring the use of water resources.</li> <li>• Collection and transport systems that enable the volume of water treated to increase, and/or reduce the volume of discharge of raw, untreated waste water.</li> <li>• Establishment of waste water treatment plants</li> <li>• Waste water collection systems separate from rain water</li> <li>• Network systems for monitoring climate conditions and atmospheric phenomena</li> </ul>	<p><b>SDGs: 2, 3, 6, 12, and 14</b></p> <div>     </div>  <ul style="list-style-type: none"> <li>• Adaptation</li> <li>• Pollution prevention and control</li> </ul>
<p>Sustainable buildings adapted to climate change</p>	<p>Construction and design of new buildings that conserve energy and minimize CO2 emissions throughout their life cycle. These criteria are defined in the Sustainable Building Resolution 0549 of 2015, Ministry of Housing, Cities, and Land,<sup>90</sup> or the regulation that adds, modifies, or replaces it.</p> <ul style="list-style-type: none"> <li>• Environmentally sustainable construction or renovations in terms of energy, wastewater, and water (hospitals, schools, buildings, housing, etc.)</li> <li>• Construction or renovation focused on adaptation</li> </ul> <p><b>Note:</b> Back-up generators in the event of failure of the electricity system and micro-generation systems that permit the use of solid waste may be part of the building's services.</p>	<p><b>SDGs: 9, 11, and 13</b></p> <div>    </div> <ul style="list-style-type: none"> <li>• Mitigation</li> <li>• Adaptation</li> </ul>

<sup>90</sup> For more information, visit <http://ismd.com.co/wp-content/uploads/2017/03/Resoluci%C3%B3n-549-de-2015.pdf>



**Table 1: Green categories and examples of Eligible Green Expenditures**

<p>Waste and circular economy</p>	<ul style="list-style-type: none"> <li>• Separation of the source, use, reuse, and management of waste</li> <li>• Technical and technological or digital systems for the management of national information on waste</li> <li>• Separate collection and transport of non-hazardous waste</li> <li>• Weighing, storage, and preparation of non-hazardous waste in the separate fraction from the main source, including machinery and equipment</li> <li>• Anaerobic digestion of organic waste with capture or use of methane</li> <li>• Composting of organic waste</li> <li>• Use of non-hazardous waste material</li> <li>• Capture and use of landfill gas</li> <li>• Carbon capture, use, and storage</li> </ul>	<p><b>SDGs: 6, 11, and 12</b></p> <div data-bbox="873 548 1157 638">    </div> <ul style="list-style-type: none"> <li>• Adaptation</li> <li>• Conservation and management of natural resources</li> <li>• Pollution prevention and control</li> </ul>
<p>Management of disaster risks associated with climate change</p>	<p>Knowledge, monitoring, and reduction of natural disaster risks associated with climate variability and change, including the development of information systems.</p> <ul style="list-style-type: none"> <li>• <b>Knowledge:</b> risk identification and characteristics (analysis, evaluation, and communication)</li> <li>• <b>Monitoring:</b> monitoring systems for the identification and management of disaster risks associated with climate variability and climate change</li> <li>• <b>Reduction:</b> corrective and prospective risk intervention. It also refers to risk-reduction interventions based on ecosystems (Eco-RRD) and financial protection from the impacts of disasters.</li> </ul>	<p><b>SDGs: 11 and 13</b></p> <div data-bbox="873 1199 1068 1289">   </div> <ul style="list-style-type: none"> <li>• Adaptation</li> <li>• Conservation and management of natural resources</li> </ul>



### **Categories of Eligible Social Expenditures**











Table 2 presents the categories of eligible social expenditures, the definition and types of projects, and their association with the SDGs and the social goals of the Nation. It is hoped that these categories will serve as reference points for future sovereign social or sustainable bond issuances. The categories of Eligible Social Expenditure categories are: i) socio-economic advancement and reduction of inequalities, ii) education: access, continuance in school, and quality, iii) peace building, iv) employment generation and boosting productivity, including MSMEs, v) decent and affordable housing, vi)

access to basic services, vii) food and nutritional security, and viii) effective access and quality of health services. It is important to note that the projects should benefit especially a target population. (See Anexo 1. Definition of target population in Colombia).

The categories and types of projects included in Table 2 are listed for illustrative purposes and are not exhaustive. Any expenditure contained in the PGN that contributes to any of the social categories and meets the criteria is eligible under this Framework.











**Table 2: Social Categories and Examples of Eligible Social Expenditures**

Social category/sub-category	Definition and types of eligible social projects in Colombia	SDGs and associated social benefits
Socio-economic advancement and reduction of inequalities	<p>Financing of actions and measures to promote access by people living in conditions of vulnerability, especially children, adolescents, youth, and the elderly, to safety net programs, such as subsidies of basic services or monetary and in-kind subsidies (including conditional and unconditional cash transfers), psychosocial companionship, job opportunities, provision or improvement of the subsidies or services provided</p> <p>Financing of actions that contribute to comprehensive early childhood development at the pedagogical, psycho-social, or nutritional level.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Economic incentives conditioned on school attendance and services to children and adolescents aimed at families living in poverty or extreme poverty.</li> <li>• Assistance to young people in their technical, technological, or university education through monetary transfers conditioned on meeting the goals of their training to improve opportunities for social mobility and well-being</li> <li>• Protection of the elderly through the provision of financial subsidies to those who are disabled, who do not have a pension, or who live in extreme poverty.</li> <li>• Care of children in Comprehensive Systems and Traditional Systems (group homes)</li> <li>• Support to adolescents and youth to strengthen their skills to structure their life goals</li> <li>• Economic support to families living in poverty and extreme poverty</li> <li>• Subsidies and/or economic compensation for households in poverty aimed at protecting and improving their consumption capacity</li> </ul>	<p><b>SDGs 1, 2, 3, 4, and 10</b></p> <div data-bbox="1162 600 1451 793">        </div> <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• End of hunger and all forms of malnutrition.</li> <li>• Quality and access to essential services such as health and education.</li> <li>• Social, labor, and productive inclusion.</li> <li>• Reduction of social inequalities</li> </ul>
	<p>Financing projects that support the socioeconomic development, labor formalization, and social integration of the vulnerable migrant population.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Incorporation into the labor market and labor protection.</li> <li>• Access to and improvements in the provision of health services, care, and nutritional support</li> <li>• Access to and improvements in education</li> <li>• Access to and improvements in decent housing</li> <li>• Access to basic services</li> <li>• Access to the financial system (traditional and alternative services)</li> </ul>	<p><b>SDGs 1, 2, 3, 4, 8, and 10</b></p> <div data-bbox="1162 1394 1451 1587">         </div> <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• End of hunger and all forms of malnutrition</li> <li>• Quality and access to basic services such as health and education</li> </ul>

<sup>91</sup> For more information on the definition of vulnerable people, see Annex 1: Definition of the target population in Colombia.

<sup>92</sup> For more information on the definition of vulnerable people, see Annex 1: Definition of the target population in Colombia.

**Table 2: Social Categories and Examples of Eligible Social Expenditures**

Socio-economic advancement and reduction of inequalities		<ul style="list-style-type: none"> <li>Assistance and training to facilitate their social integration and the regularization of their immigration status.</li> </ul>	<ul style="list-style-type: none"> <li>Social, employment, and productive inclusion</li> <li>Reduction of social inequalities</li> <li>Access to basic services and decent housing</li> </ul>
	People with disabilities (PWDs)	<p>Financing projects that enable people with disabilities to improve their engagement in society, education, and the workplace by developing materials adapted to their needs, training their family members, adapting their environments, and providing inclusive services.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>Development of tools and training for entities, family members, and environments of people with disabilities</li> </ul>	<p><b>SDGs 4, 8, and 10</b></p>    <ul style="list-style-type: none"> <li>Quality and access to essential services such as health and education</li> <li>Reduction of social inequalities</li> <li>Increased social, labor, and productive inclusion</li> </ul>
	Ethnic groups	<p>Financing projects that support the socio-economic development, social integration, and physical and cultural permanence of ethnic groups. These include expenditures related to improvement in the quality of life, access to healthy and nutritious food, access to health and education systems, access to decent housing or improvements in housing and restitution of land, development of community infrastructure, recognition of their rights, and strengthening of the political and administrative capacity of communities, among others.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>Implementation of units that produce food for household consumption, promote productive activities, and strengthen community integration through cultural identity projects.</li> <li>Strengthening of self-governing systems and the organizational capacity of Indigenous peoples.</li> <li>Strengthening of community councils and organizational expressions of communities of color (Black people, Afro-Colombians, Raizales and Palenqueros).</li> </ul>	<p><b>SDGs 1, 2, 3, 4, 8, and 10</b></p>       <ul style="list-style-type: none"> <li>Poverty reduction</li> <li>End hunger and all forms of malnutrition</li> <li>Quality and access to essential services such as health and education</li> <li>Increased social, labor, and productive inclusion</li> <li>Reduction of social inequalities</li> <li>Access to basic service and decent housing</li> </ul>



**Table 2: Social Categories and Examples of Eligible Social Expenditures**

<p>Socio-economic advancement and reduction of inequalities</p>	<p>Closing the gender gap</p>	<p>Financing of actions and measures aimed at:</p> <p>Promoting women's employability<sup>93</sup>, and access to opportunities for employment in the formal sector and in sectors that typically employ men, and seeking equal pay and high-quality jobs for women.<sup>94</sup></p> <p>Promoting and strengthening entrepreneurship among women, including loans and other financial support to women-owned or women-led micro, small, and medium-size enterprises (MSMEs).<sup>95</sup></p> <p>Increase access, use, control, and ownership of assets, resources, services, and technology by women.</p> <p>Recognizing, compensating, reducing, and redistributing non-remunerated caregiving activities.</p> <p>Preventing, eradicating, and prosecuting all forms of violence against women and girls.</p> <p>Supporting and assisting women and girls living in violent situations.<sup>96</sup></p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Mechanisms to assist rural women and farmers to overcome gender and socioeconomic gaps.</li> <li>• Support to gender-focused initiatives that promote women's full autonomy.</li> </ul>	<p><b>SDGs 1, 5, 8, and 10</b></p> <div>    </div>  <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• Empowerment of women and girls and end gender violence</li> <li>• Increased social, labor, and productive inclusion</li> <li>• Reduction of social inequalities</li> </ul>
<p>Education: access, continuity, and quality</p>		<p>Financing of investment projects, programs and expenditures aimed at improving access and quality of public education, with special emphasis on the vulnerable population at all levels of the education system (day care, pre-school, primary and secondary education, middle school, higher education (job training and human development).</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Subsidies for access to higher education</li> <li>• Construction, expansion, and improvements of headquarters and classrooms of public education centers</li> <li>• Fostering access to high-quality education</li> <li>• Strengthening the conditions for the achievement of educational paths</li> </ul>	<p><b>SDGs 4 and 10</b></p> <div>   </div> <ul style="list-style-type: none"> <li>• Quality and access to essential services such as health and education</li> <li>• Reduction of inequalities</li> </ul>

<sup>93</sup> For more information on the definition of women and girls, see Annex 1: Definition of the target population in Colombia.

<sup>94</sup> Ibid.

<sup>95</sup> For more information on the definition of women-owned or women-led MSMEs, see Annex 1: Definition of the target population in Colombia.

<sup>96</sup> For more information on the definition of women and girls living on situations of violence, mayor información sobre la definición de mujeres y niñas en situación de violencia ver Anexo 1: Definición de población objetivo en Colombia.

Peacebuilding	<p>Financing of projects or expenditures related to the recognition, mitigation of psychological damage, care, compensation of victims of the armed conflict in Colombia at the national level<sup>97</sup> and actions implemented for non-repetition.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Projects of assistance psycho-social rehabilitation, monetary and in-kind compensation, and strengthening of support channels for victims of the armed conflict</li> <li>• Projects that facilitate return, relocation, return of appropriated or forcibly abandoned land, search for disappeared persons and/or assistance for funerals of victims affected by the armed conflict</li> <li>• Projects related to actions of social recognition of victims of the conflict promotion of coexistence and guarantees of non-repetition</li> <li>• Package of humanitarian assistance offered to all victims of forced displacement during the first year (guaranteed housing, food, clothing, and search for disappeared persons)</li> </ul>	<p><b>SDGs 1, 10, and 16</b></p> <div data-bbox="1166 510 1450 602"> </div> <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• Reduction of social inequalities</li> <li>• Promotion of stable and lasting peace</li> </ul>
Employment generation and promotion of productivity, including MSMEs	<p>Financing of projects aimed at employment preservation and reactivation of businesses, including MSMEs, affected by socio-economic events such as COVID-19 and the national lockdown, which can demonstrate a relative decline in their income as determined by the respective regulation.<sup>98</sup></p> <p>Financing of projects that contribute to formal employment generation, entrepreneurship, job placement for vulnerable people, and entrepreneurship for the rural population.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Support for companies, including MSMEs, affected by temporary socio-economic events</li> <li>• Support for job creation</li> <li>• Monetary contribution in order to support and protect formal employment in the country</li> <li>• Entrepreneurship program for the poor and victims of forced displacement and/or armed conflict</li> </ul>	<p><b>SDGs 1 and 8</b></p> <div data-bbox="1166 1287 1360 1379"> </div> <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• Increased social, labor, and productive inclusion</li> </ul>

<sup>97</sup> For more information on the definition of victims of the armed conflict and/or victims of forced displacement, see Annex 1: Definition of the target population in Colombia.

<sup>98</sup> As a reference, the percentage decrease in revenue for 2022 is at least 20%.



## Decent and affordable housing

Financing for the acquisition, construction on its own site, repair, expansion, improvement, refurbishment, or rental of social interest housing (VIS) (\*) and priority interest housing (VIP) (\*ii), for households whose monthly income is less than an amount determined by the Colombian regulation.<sup>99</sup>

(i) Social Interest Housing (VIS)<sup>100</sup>

(ii) Priority Social Interest Housing (VIP)<sup>101</sup>

Examples of eligible expenditures:

- Monetary subsidy for the acquisition of social interest housing and priority interest housing, benefiting households without their own homes, as well as to rent housing
- Monetary subsidy or implementation of actions to improve the structure or rental ability of the home
- Construction of rural housing
- Social programs aimed at promoting savings to open financial inclusion channels to access decent housing

## SDGs 1, 6, and 11



- Poverty reduction
- Access to basic services and decent housing

## Access to basic services

Financing of expenditures to improve access to affordable basic infrastructure, mainly for households belonging to socioeconomic strata 1, 2, and 3, non-interconnected areas, and rural areas.

This includes expenditures related to improvement in access, reliability, and quality of basic services of (1) treatment and distribution of drinking water, (2) collection and treatment of wastewater (3) connection of homes to the electric grid (4) construction projects or improve urban and rural access roads and the conditions of land, river, and maritime transport.

Examples of eligible expenditures:

- Investment in new or existing drinking water treatment systems and aqueducts that improve access, quality, reliability, capacity and/or efficiency
- Investment in household connections inside homes
- Investment in wastewater treatment systems and new or existing sewers that improve access, quality, efficiency, and/or increase the volume of treated wastewater

## SDGs: 6, 9, and 10



- Access to basic services and decent housing
- Reduction of social inequalities

<sup>99</sup> As a reference, for current 2022 it is defined for households whose monthly income is less than or equal to four current legal monthly minimum wages (SMLMV).

<sup>100</sup> As a reference, the maximum value in the 2022 term can reach up to 150 SMLMV.

<sup>101</sup> As a reference, the maximum value of a VIP in 2022 is 90 SMLMV.

Food and  
nutrition security

- Technical assistance services to municipalities and local entities for structuring, preparation, and execution of drinking water and basic sanitation services
- Investments for household connections homes to the electricity grid
- Investments for construction or improvement of roads and urban and rural streets

**School food security:**

Financing for programs to access healthy and nutritious food for public school students (pre-school, basic, and middle school levels), prioritizing the most vulnerable students according to current regulations.<sup>102</sup> The purpose is to create incentives and contribute to students continuing in school and completing their course of study.

**Increase food security in vulnerable households<sup>103</sup>:**

- Financing of products and inputs for planting (plants, fertilizers and materials) and farms for on-farm consumption aimed at increasing household food production.
- Financing of agricultural technical assistance activities for the planting, and training for households on issues of food consumption and healthy consumption habits.

Vulnerable rural populations and ethnic groups will be given priority.

**Nutritional health:**

- Financing of programs to combat malnutrition and infant mortality
- Actions to promote education about food and nutrition, promotion of healthy lifestyle habits, food supplement programs, and family strengthening to improve the nutritional status of malnourished children and underweight pregnant women

**Examples of eligible expenditures:**

- Implementation of school meal programs in order to discourage school dropout
- Implementation of programs aimed at technical assistance and creation of tools to promote food and nutritional security
- Distribution of nutritional supplements
- Implementation of actions that contribute to the prevention of chronic malnutrition through the promotion of adequate nutrition and health conditions.

**SDGs 2 and 4**




- End hunger and all forms of malnutrition
- Access and quality of essential services such as health and education

<sup>102</sup> Single-day schools, preschool level, campuses located in rural and urban areas with a majority ethnic population, victims of armed conflict, and the disabled, prioritizing campuses with lower-income populations (SISBÉN IV, groups A and B).

<sup>103</sup> For more information on the definition of vulnerable people, see Annex 1: Definition of the target population in Colombia.



<p>Effective access and quality in health services</p>	<p>Financing of projects or activities related to the construction, operation and/or improvement of public hospitals or public health services that benefit the national population, with particular emphasis on the vulnerable population.</p> <p>Financing of expenditures related to the purchase, distribution, and administration of biological vaccines and vaccines against COVID-19 to the national population.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Financing hospital infrastructure of the State Social Enterprises (ESE's for its Spanish acronym) (Public hospitals that care for people in subsidized regime).</li> <li>• Support actions to reach universal coverage of vaccines, with the aim of reducing mortality and morbidity rates caused by immuno-preventable diseases and with a strong commitment to eradicate, eliminate, and control them.<sup>104</sup></li> </ul>	<p><b>SDG 3</b></p>  <ul style="list-style-type: none"> <li>• Access and quality of essential services such as health and education</li> </ul>
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## Exclusion Criteria

Any project, asset, or expenditure related to the following activities will be excluded from eligible green expenditures and eligible social expenditures:

- Exploration, production, and distribution of fossil fuels, burning of fossil fuels as the unique source of power generation, or nuclear power generation;<sup>105</sup>
- Production or trade in any product or activity considered illegal under national or international laws or regulations, conventions, and agreements which Colombia is a party to;
- Deforestation or forest degradation;
- Alcohol, weapons, tobacco, or gambling industries;
- Activities in protected areas or activities that violate the rights of Indigenous peoples; and
- Child labor or forced labor.

<sup>104</sup> Proceeds for COVID-19 vaccines will be applied starting in 2023.

<sup>105</sup> Some of these activities may be subject to other sources of financing, different from green, social, or sustainability bonds.

## 6.2 Process for Project Evaluation and Selection of Eligible Green Expenditures and Eligible Social Expenditures

The MHCP and the DNP will lead the evaluation and selection of eligible green expenditures and eligible social expenditures,<sup>106</sup> for eligible green expenditures and the Equity Table for the social themes.<sup>107</sup> Thus, two strategic working groups will be formed, called the “Sovereign Green Bond Working Group” and the “Sovereign Social Bond Working Group,” respectively, which will be responsible for the following:

- Reviewing and verifying the eligible green expenditures and the eligible social expenditures for compliance with section 7.1, Use of Proceeds;
- Ensuring that the amount allocated to eligible green expenditures and eligible social expenditures is equivalent to the net proceeds of the issuance;

<sup>106</sup> Article 61, numeral 10, of Decree 1893 of 2021 establishes that the Vice-Directorate of Credit and International Cooperation of the DNP will support the MHCP in coordination with the respective departments of the DNP, in constructing portfolios of investment projects associated with the Framework for the issuance of thematic bonds, as described in article 4 of Law 2073 of 2020.

<sup>107</sup> Article 2.5.13. of Law 1111 of 2020 notes that the Technical Secretariat of the Equity Table will be carried out jointly by the National Planning Department (DNP) and the Administrative Department for Social Prosperity, Prosperidad Social.

- Coordinating any future updates to the Framework;
- Preparing the post-issuance reports under section 7.4, Reporting.

Line ministries and other government entities will present projects to the Green Bond and Social Bond Working Groups, which will determine their alignment with the eligible green expenditures and eligible social expenditures, provided that they are included in the PGN approved by Congress. The groups will review the supporting documentation and the necessary information to verify the eligibility of the expenditures presented by each entity. The Groups may also be advised by independent entities (Figure 2).

To identify eligible green expenditures and eligible social expenditures, the Green Bond Working Group or the Social Bond Working Group, whichever is applicable, led by the DNP and the MHCP in line with their legal powers in budgeting matters, will screen the PGN projects. Additionally, in collaboration with the technical directorates of the DNP, the National Directorate of the National Public Budget, executing agencies or ministry involved, will analyze the characteristics of each project or expenditure, the amounts allocated and disbursed per year, to ensure compliance with the provisions in section 7.1 Use of Proceeds – Eligible Green Expenditures or Eligible Social Expenditures. The Groups will verify that the eligible projects or expenditures have performance indicators or potential indicators of impact, as applicable.

The DNP and the MHCP or the Intersectoral Commission of the President's Cabinet for Climate Action,<sup>108</sup> or the high-level entity that

it designates, will participate in and verify the classification of eligible green projects in each of the categories defined above (Table 1).

With respect to eligible social expenditures, the projects will be selected based on those that have already been classified as social expenditures according to the functional classification of the budget used by the General Directorate of the National Public Budget (DGPPN), which is based on international standards.<sup>109</sup> Then, those projects that comply with any of the eligibility criteria set forth in Table 2 and that benefit any of the target populations specified in Annex 1, will be selected as eligible. Likewise, the Equity Table or high-level entity (technical secretariat) or mechanism that it designates will participate technically to ensure that the evaluation and selection process considers the established prioritization of social projects and targets the most vulnerable populations, and will approve the eligible portfolio.<sup>110</sup>

Figure 2 below shows the structure that will be used for the evaluation and selection of eligible green expenditures and eligible social expenditures included in the Green Portfolio and the Social Portfolio:

<sup>108</sup> A Commission created by Decree 172 of February 3, 2022, as an entity to coordinate, guide, and evaluate progress on the country's international commitments on climate action

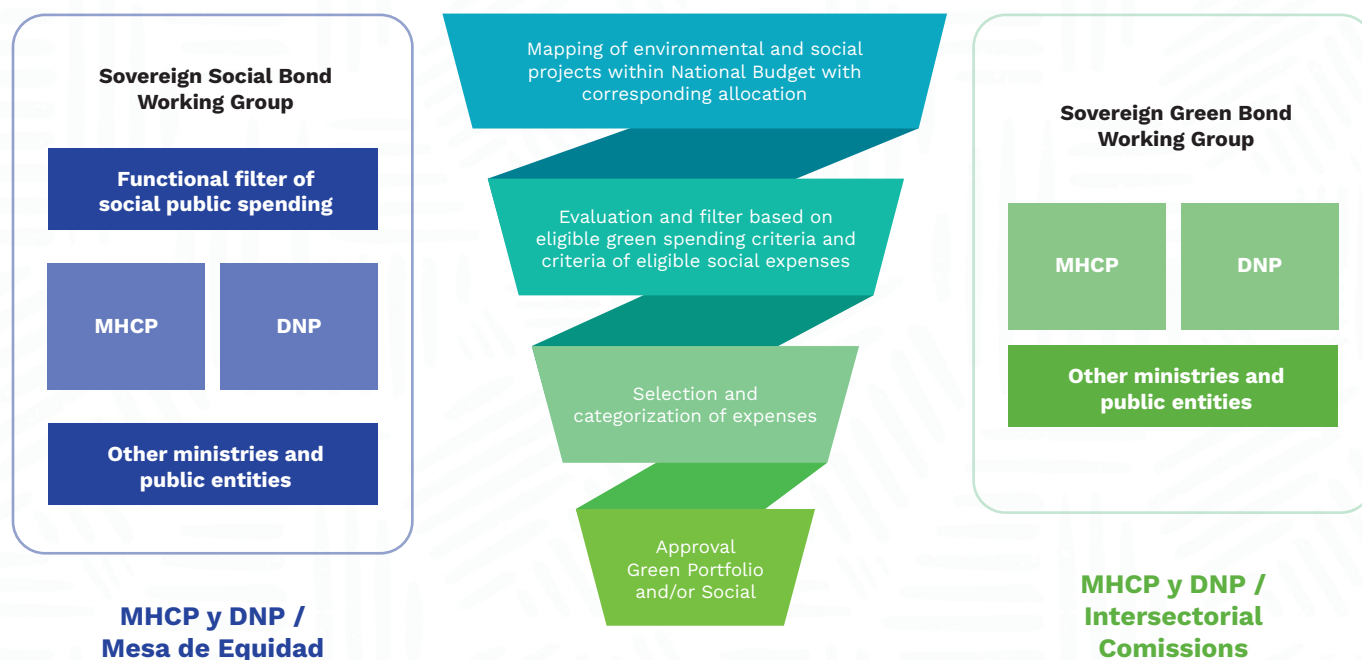
and with respect to the goals and minimum measures to achieve carbon neutrality, climate resilience, and low-carbon development in the country in the short, medium, and long term.

<sup>109</sup> MHCP (2019). Manual of Functional Classification of Public Expenditure. Available at: <https://tinyurl.com/28b4w8yq>

<sup>110</sup> Subject to confirmation with the Table.



**Figure 2. Eligible Expenditures Evaluation and Selection Process**



Source: DGCPTN-MHCP

### 6.3 Management of Proceeds

This Framework applies to all current and future green, social, and/or sustainable bond issuances by the Republic of Colombia in domestic or international capital markets and, as established in section 7.1, Use of Proceeds, the net proceeds from the issuances will be used for general budget purposes.

The MHCP will be responsible for verifying that the amounts allocated with eligible green expenditures and eligible social expenditures are equivalent to the net proceeds of the issuance, based on the information provided by the DNP,<sup>111</sup>

the line ministries or entities within one year after the issuance of the bonds.<sup>112</sup> It will also verify that this type of expenditure is not financed by other sources, i.e. that the same green or social expenditure is not being counted twice.<sup>113</sup> The DGCPTN will manage any outstanding resources (those that have not be allocated within eligible green expenditures or eligible social expenditures), according to its treasury policy.

<sup>111</sup> Article 61, numeral 11, of Decree 1893 of 2021, establishes that the Vice-directorate of Credit and International Cooperation of the DNP will provide information to the MHCP to prepare the Report on Placement and Association and the Report on Results and Impact of the thematic bond frameworks specified in Article 4 of Law 2073 of 2020.

<sup>112</sup> Article 89 of Law 2159 of 2021 determines that, notwithstanding existing reporting obligations, the executing entities of the PGN (for its Spanish acronym) that have expenditures or projects selected as part of the thematic bond portfolios in accordance with the frameworks mentioned in article 4 of Law 2073 of 2020, must provide MHCP and DNP, every six months following the issuance of the thematic bond, the information necessary to prepare investor reports, such as impact indicators, performance indicators, and environmental, social, or governance controversies that may arise in these expenditures or projects.

<sup>113</sup> Other sources of national financing include earmarked credits with multilateral entities, transfers from international cooperation, and earmarked taxes, among others.

The eligible green expenditures and the eligible social expenditures in the Sustainable Portfolio are expected to be higher than the net proceeds of the green, social, and/or sustainable bond. Therefore, if any expenditure is no longer eligible or if its amount is reduced, it may be replaced by another eligible green expenditure or eligible social expenditure.

## 6.4 Reporting

For all bonds issued under this Framework, the Republic of Colombia will provide investors with a Placement, Allocation, and Performance report on Eligible Green Expenditures and/or Eligible Social Expenditures, as appropriate, as well as a Results and Impact Reports, with the available information.

The MHCP will publish both reports on the MHCP website and in the Investor Relations page within one year after the issuance and then annually until the allocated amount of eligible green expenditures and/or eligible social expenditures is equivalent to the net proceeds of the issuance.

The reports will be prepared based on the information provided by the DNP, in the exercise of its functions established in Decree 1893 of 2021, in accordance with the database that it manages. This database will include information provided by each entity executing eligible green expenditures and eligible social expenditures relative to the execution of the investment projects and programs. For the transfers, the information provided by the DGPPN. Additional information may be requested from executing entities as according to Article 89 of Law 2159 of 2021. Those entities shall be solely responsible for consolidating and verifying the veracity and accuracy of the information reported to the DNP.

### Placement and Allocation Reporting

The MHCP, in coordination with the DNP, will publish an annual placement and allocation report that shall contain<sup>114</sup>:

- - Description of and total amount allocated with eligible green expenditures and/or eligible social expenditures, according to information provided by each entity executing eligible green expenditures and eligible social expenditures;
- Alignment of eligible green expenditures and/or eligible social expenditures with environmental goals and/or social benefits and the SDGs;
- Aggregate amount and percentage of resources allocated with and executed in each green and/or social category;
- Amount and percentage of resources allocated with recent expenditures and current year expenditures; and
- Balance of unallocated proceeds, including implementation information provided by each entity implementing eligible green expenditures and/or eligible social expenditures. Co-financing percentage by eligible green expenditures and/or eligible social expenditures or project, as applicable.

The first report will be published in the year following the bond issuance, and then published annually until the full allocation of proceeds, according to information available, and it will be verified by an external independent auditor.

### Performance and Impact Reporting

The MHCP, with input from the DNP and technical support from The Equity Table with respect to eligible social expenditures, will publish a Results and Impact Report for all or some of the green and/or social projects, based on available information provided by each entity implementing the eligible green expenditures and/or eligible social expenditures, as applicable, in line with Article 89 of Law 2159 of 2021. The Results and Impact Report on eligible social expenditures will include the identification of the beneficiary population.

The DNP will be responsible for liaising with the other line ministries and public entities involved to integrate the expected impacts from the execution of the green and/or social projects into the report, with the exception of transfers, which will be the responsibility of the General

<sup>114</sup> Eventually, confidentiality agreements or considerations of competence that limit the level of detail divulged may be applied, before which the information will be presented in generic and/or aggregated terms.



Directorate of the National Public Budget. The report may include, depending on the information available:

- The expected impacts of eligible green expenditures and eligible social expenditures;
- Qualitative performance indicators and, where feasible, quantitative performance indicators of project impact;
- The methodology and underlying assumptions used in the quantitative performance indicators.

The Report will be published within a year of the green, social, and/or sustainable bond issuance, and then annually until the proceeds have been fully allocated. The allocated amounts will be broken down by each green and/or social category defined in accordance with the World Bank's "Green Bond Proceeds Management and Reporting,"<sup>115</sup> the Harmonized Framework for Impact Reporting<sup>116</sup> and the ICMA Guide "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds."<sup>117</sup> This information will be published annually, according to the availability of information, which will depend on the ability of each executing entity to perform the relative metrics. The Report may be published in the same document as the Placement and Allocation Report.

Table 3 shows some examples of green indicators that could be included in the Report. The list of indicators is not exhaustive.

<sup>115</sup> Green Bond Proceeds Management and Reporting [PDF file]. Retrieved from: <https://tinyurl.com/27j2cfle>

<sup>116</sup> ICMA (2021). Harmonized Framework for Impact Reporting. Retrieved from: <https://tinyurl.com/ybqk3u3>

<sup>117</sup> ICMA (2020). Working Towards a Harmonized Framework for Impact Reporting for Social Bonds. Retrieved from: <https://tinyurl.com/2yjqp8b>



**Table 3. Examples of green indicators**

Green category	Examples of indicators
Non-conventional energy sources, energy efficiency, and connectivity	<ul style="list-style-type: none"> <li>• Number of photovoltaic power generation units installed, maintained, or upgraded</li> <li>• Number of generation plants expanded, built, or upgraded</li> <li>• Reduced or avoided CO2 emissions</li> <li>• Energy consumption savings in MWh/GWh</li> <li>• Number of technical assistance services for structuring energy projects</li> <li>• Number of installed non-hydro generation units or sources</li> </ul>
Ecosystem services and biodiversity	<ul style="list-style-type: none"> <li>• Hectares reforested</li> <li>• Hectares of ecosystems conserved or undergoing restoration</li> <li>• Hectares declared as protected areas</li> <li>• Number of research and planning documents and guidelines focused on increasing the importance of on-site conservation of biodiversity</li> <li>• Number of buildings for the administration, surveillance, and control of protected areas</li> <li>• Hectares of forests that have a forest management plan</li> <li>• Hectares of forests, vegetation cover, or ecosystems with biodiversity monitoring plans</li> </ul>
Sustainable agricultural production with low emissions and adapted to climate change	<ul style="list-style-type: none"> <li>• Technical support service for the efficient use of natural resources in strategic ecosystems</li> <li>• Reduction of GHG emissions compared to the baseline scenario</li> <li>• Hectares reforested</li> <li>• Hectares under sustainable agroforestry systems</li> <li>• Hectares of commercial forests or established protective plantations</li> </ul>
Clean and sustainable transport	<ul style="list-style-type: none"> <li>• Kilometers or meters of urban roads built or improved for the operation of public transportation services.</li> <li>• Kilometers of urban and metropolitan mass transit systems</li> <li>• Kilometers of bicycle lanes</li> <li>• Number of stations, terminals, or additional construction works built or improved for the operation of public transportation systems</li> <li>• Number of air quality surveillance and monitoring networks</li> <li>• Reduction of GHG emissions compared to the baseline scenario</li> <li>• Kilometers or meters of railroad tracks built or improved for better operating conditions</li> </ul>



Green category	Examples of indicators
Sustainable water management, use, and sanitation	<ul style="list-style-type: none"> <li>• Number of stations for monitoring hydrological conditions operating continuously</li> <li>• Number of laboratories and information systems strengthened and updated</li> <li>• Number of aqueducts and sewers improved, built, and optimized</li> <li>• Cubic meters of treated water</li> <li>• Number of wastewater management projects</li> <li>• Number of projects designed to promote efficient water use and savings</li> <li>• Number of documents that provide technical guidelines for climate change management, comprehensive water management, or environmental management</li> <li>• Number of regional institutional programs to monitor water quality and quantity</li> <li>• Number of plans for the development and management of water basins</li> <li>• Increase in the amount of water treated in m3 yearly, monthly, or weekly</li> <li>• Number of drinking water and/or waste water treatment plants improved, built, and optimized</li> </ul>
Sustainable buildings adapted to climate change	<ul style="list-style-type: none"> <li>• Number of sustainable buildings</li> <li>• Number of buildings with climate change adaptation features</li> </ul>
Waste and circular economy	<ul style="list-style-type: none"> <li>• Tons of waste used, reused, or recycled</li> <li>• Number of companies assisted in circular economy and sustainability-related themes</li> </ul>
Management of natural disaster risks associated with climate change	<ul style="list-style-type: none"> <li>• Number of studies, guidelines, policies, or programs focusing on identifying, analyzing, and preventing natural disaster risks associated with climate change.</li> <li>• Financial protection instruments</li> <li>• Number of regional centers for weather and atmospheric phenomena forecasting</li> <li>• Number of local and sectoral entities technically assisted</li> <li>• Number of information systems implemented</li> <li>• Number of projects supported to increase the capacity of local entities in implementing disaster risk management measures</li> <li>• Percentage of estimated probable risk reduction</li> </ul>

Table 4 shows some examples of social indicators that may be included in the report. The list is not exhaustive.

**Table 4. Examples of social indicators**

Social categories		Examples of indicators
Socioeconomic advances and reduction of inequalities	People in vulnerable conditions, <sup>118</sup> especially children, adolescents, young, and the elderly people	<ul style="list-style-type: none"> <li>• Number of children and adolescent beneficiaries of transfers who access education and health services</li> <li>• Number of families and young beneficiaries of conditional and/or non-conditional transfers</li> <li>• Number of women heads of household who receive assistance for prenatal care</li> <li>• Number of subsidies granted to the elderly</li> <li>• Number of children, adolescents, and youth assisted by protection services to reestablish rights or Comprehensive and Traditional Services)</li> <li>• Buildings providing appropriate services for adolescents and youth, built and/or equipped</li> <li>• Number of beneficiaries of social programs helped</li> <li>• Number of families belonging to ethnic communities helped</li> </ul>
	Migrants in vulnerable conditions	<ul style="list-style-type: none"> <li>• Number of vulnerable migrants whose immigration status was regularized</li> <li>• Number of vulnerable migrants who received access to health, education, housing, or formal work</li> <li>• Number of vulnerable migrants who accessed basic services such as drinking water and sanitation, electricity, among others</li> <li>• Number of vulnerable migrants who accessed the financial system (both traditional and alternative financial services)</li> <li>• Number of vulnerable migrants helped and trained within the framework of community integration</li> </ul>
	People with disabilities (PWD)	<ul style="list-style-type: none"> <li>• Number of contents and audiovisual materials in an accessible language prepared and disseminated</li> <li>• Number of governmental and non-governmental agencies advised on care pathways.</li> <li>• Number of entities, organizations and family units provided technical assistance</li> </ul>
	Ethnic groups	<ul style="list-style-type: none"> <li>• Number of productive units for by ethnic groups set up</li> <li>• Number of households of ethnic groups who were provided technical assistance</li> <li>• Number of collective productive units of ethnic groups strengthened</li> <li>• Number of people from ethnic groups trained</li> <li>• Number of projects for ethnic groups co-financed</li> </ul>
	Closing the gender gaps	<ul style="list-style-type: none"> <li>• Number of women benefiting from subsidies, training, guidance, and/or financial support</li> <li>• Number of productive projects co-financed</li> <li>• Number of women trained in entrepreneurship or in fields with high economic potential</li> <li>• Number of placements or jobs created for women</li> <li>• Number of homes/shelters for victims of gender violence supported, fortified, or built</li> </ul>

<sup>118</sup> For more information on the definition of vulnerable people, see Annex 1: Definition of target population in Colombia.



Social categories	Examples of indicators
Education: access, continuity, and quality	<ul style="list-style-type: none"> <li>• Number of beneficiaries of financial support strategies or programs for access, continuity, and graduation from higher education.</li> <li>• Number of school infrastructure, classrooms or buildings built, improved, or modernized</li> <li>• Number of teachers and teacher's aids in day care, pre-school, elementary and middle school benefited by skill-building strategies</li> <li>• Number of places or students enrolled in training</li> </ul>
Peacebuilding	<ul style="list-style-type: none"> <li>• Number of regional victims' services centers modified</li> <li>• Number of applications by victims of armed conflict served and processed through different channels</li> <li>• Number of households that are victims of the armed conflict that have received in-kind humanitarian assistance, resources for transport of goods, and/or subsidies</li> <li>• Number of properties delivered and compensated to comply with judicial rulings on restitution of lands</li> <li>• Number of cases of preventive protection and restitution of land rights for ethnic groups processed</li> <li>• Number of initiatives of social recognition of victims and/or promotion of co-existence implemented</li> </ul>
Employment generation and promotion of productivity, including MSMEs	<ul style="list-style-type: none"> <li>• Number of businesses supported with subsidies due to personal socioeconomic events</li> <li>• Percent of business supported with subsidies due to socioeconomic events occurring to MSMEs.</li> <li>• Total amount of the subsidy provided to business as part of economic assistance to alleviate socioeconomic events (\$).</li> <li>• Number of additional youth hired formally by the company due to the subsidy to promote employment</li> <li>• Number of jobs protected with a State contribution</li> <li>• Number of people helped in their search for formal employment</li> <li>• Number of people in rural areas trained in entrepreneurship</li> </ul>
Decent and affordable housing	<ul style="list-style-type: none"> <li>• Number of households benefited by acquisition of a house</li> <li>• Number of households benefited by renting a house.</li> <li>• Number of households benefited by construction on site of a house.</li> <li>• Number of households benefited by home improvement</li> </ul>

Social categories	Examples of indicators
Access to basic services	<ul style="list-style-type: none"> <li>• Number of aqueduct and sewage projects in urban and rural areas financed</li> <li>• Number of municipalities receiving technical assistance on water and sanitation projects.</li> <li>• Number of homes with new or improved access to aqueducts and/or sewer system</li> <li>• Increase in the average number of hours of water and sewer service per day</li> <li>• Kilometers of paved streets or highways built or improved</li> <li>• Number of households with new connections to the electrical grid installed</li> </ul>
Food and nutrition security	<ul style="list-style-type: none"> <li>• Number of students benefiting from school nutrition programs</li> <li>• Number of productive units for on-site consumption set up in vulnerable households</li> <li>• Number of homes that received technical assistance to improve eating habits</li> <li>• Amount of liquid or solid food of high nutritional value distributed</li> <li>• Number of people seen for treatment and prevention of malnutrition</li> </ul>
Effective access and quality in the Health Service	<ul style="list-style-type: none"> <li>• Number of hospitals or health centers built or improved</li> <li>• Number of patients seen in built or improved hospitals or public health centers</li> <li>• Annual weighted average of coverage of biological vaccines (%)</li> <li>• Annual weighted average of coverage of COVID-19 vaccines (%)</li> </ul>

In addition, and considering that the Colombian government has implemented budget trackers to monitor the resources used in different social projects in the country, in the Results and Impact report on the bond the number of eligible projects that are being tracked under the budget trackers on gender equity, ethnic groups, peace building, and any other tracker related to the social categories in this Framework that may be developed in the future.

## 6.5 External Review

### Second party opinion

To comply with the highest standards in terms of external review of the Sustainable Bonds Framework, Moody's ESG will provide a second party opinion, which will be provided independently and before the first green, social, or sustainable bond issuance under this Framework.

The documents relative to this external and independent opinion will be published on the MHCP webpage and Investor Relations websites.

### Verification

The MHCP will request an external auditor to perform an independent verification of the use of proceeds for the eligible green expenditures and eligible social and/or sustainable expenditures, in line with this Framework's criteria. A report will be published annually until the proceeds of the green bond, the social bond, and/or the sustainable bond have been fully allocated. The verification reports will be available on the webpages of the MHCP and the Investor Relations websites.

### External certifications

The Colombian government reserves the right to request further certifications of its thematic bonds and will consider any such request on a case-by-case basis before the bond is issued.



## Annex 1: Definitions of the target population in Colombia

The SBP of ICMA<sup>119</sup>, stipulates that the expenditures, investments, or projects associated with the funds obtained from a social bond issuance must address or mitigate a social problem and/or generate positive social impacts, particularly although not exclusively for a specific group of beneficiaries (target population).

This annex contains a description of these population groups, according to regulations or policies currently in force in Colombia. However, given the existing legislation on each of them and their socioeconomic context, this description is not exhaustive; its purpose is only to guide the reader.

It is worth clarifying that the term “vulnerability” and other variations of the term (population living in conditions of vulnerability, vulnerable group, etc.) contained in this annex does not refer to Category C, “Vulnerable” of Sisbén IV ) (see section 5, Criteria for Identifying the Target Population). The term “vulnerability” in the annex refers to the definition in the laws and related regulations below.

<sup>119</sup> International Capital Market Association (2021). Social Bond Principles. Available online: <https://tinyurl.com/28mwpwt6>



Population / Other Beneficiary Groups	Definition	Source: Links
Vulnerable people	<p>A person belonging to group A, B, or C (up to level 7) in Sisbén IV, or a person who lives in a dwelling located in socioeconomic stratum 1, 2, or 3.</p> <p>The six socio-economic strata in which dwellings and/or lands are classified are: 1. Lower-lower, 2. lower; 3. Lower-middle 4. middle; 5. Upper-middle; and 6. upper. Strata 1, 2, and 3 are considered lower strata where low-income users live, who are beneficiaries of subsidized public housing services. It is worth noting that stratification is a tool used to describe housing and access to public services which can be applied differentially to strata of beneficiaries of subsidies.</p> <p><b>Vulnerable child:</b> A person between the age of 0 and 12 (Law 1098 of 2006) who lives in conditions of vulnerability, including early childhood, defined as being between the ages of 0 and 6 (Law 1804 of 2016).</p> <p><b>Vulnerable adolescent:</b> A person between the ages of 13 and 18 (Law 1098 de 2006) living in conditions of vulnerability.</p> <p><b>Vulnerable youth:</b> People between 14 and 28 years of age (Statute on Young Citizens: Statutory Law 1622 of 2013 modified by Statutory Law 1885 of 2018) who is living in conditions of vulnerability</p> <p><b>Vulnerable elderly:</b> People 60 years of age or older (Law 1251 of 2008, Ministry of Health) who are living in conditions of vulnerability.</p> <p><b>Vulnerable migrants:</b> People who have migrated from another country and have settled in Colombia. The majority have come from Venezuela and live in conditions of vulnerability or are undocumented.</p>	<p><a href="#">SISBÉN IV</a></p> <p><a href="#">Ley 1098 de 2006</a></p> <p><a href="#">Ley 1804 de 2016</a></p> <p><a href="#">Ley 1098 de 2006</a></p> <p><a href="#">CONPES 4040 de 2021</a></p> <p><a href="#">Colombia Jóven</a></p> <p><a href="#">Ley 1251 de 2008</a> <a href="#">Ministerio de Salud</a></p> <p><a href="#">Ley 2136 del 4 de agosto de 2021</a></p>
People with disabilities (PWD)	<p>People who have medium- or long-term physical, mental, intellectual, or sensory deficiencies which, when encountering barriers, including attitudinal barriers, may impede their full and effective participation in society in equal conditions as other people (Law 1618 of 2013).</p>	<p><a href="#">Ley 1618 de 2013</a></p>



Population / Other Beneficiary Groups	Definition	Source: Links
Ethnic group	<p>Communities that share common origin, history, language, cultural and/or physical features, who have maintained their identity throughout history as a collective group. Colombian law recognizes four ethnic groups: Indigenous peoples, Afro-Colombians (including afro-descendants, Black people, biracial people, Palenqueros, or residents of Palenque San Basilio), Raizales from the archipelago of San Andres and Providencia, and Roma or gypsies.</p> <p>A person is considered to belong to an ethnic group by:</p> <ul style="list-style-type: none"> <li>• <b>Self-identification:</b> a criterion that encompasses belonging to an ethnic group, which implies that any person can recognize him or herself as belong to one of the ethnic groups or to none.</li> <li>• <b>Ethnic identity:</b> identification of a person as a member of one of the legally recognized ethnic groups.</li> </ul> <p>Identification criteria are: self-identification (ethnic identity), language, usage and customs, territoriality, and physical features.</p>	<a href="#">DANE</a>
Unemployed	<p>The term refers broadly and flexibly to adults in working age who are without jobs and who are actively seeking work, at least in the last 12 months, and who are available to begin working.</p>	<a href="#">DANE</a>
Women and girls	<p>In line with CONPES Social 161, "Colombian women from all social groups and sectors without distinction. Thus, it includes urban, rural, poor, Afro-Colombian, Black, Raizales, Palenqueras, Indigenous, peasants, and Roma, as well as non-binary and those in situations of particular vulnerability, such as disabled woman and victims of various forms of violence.</p> <p>In addition, associated with this target population are women-led businesses and companies.</p>	<a href="#">CONPES Social 161</a> <a href="#">Ley 1257 de 2008</a> <a href="#">Artículo 3 de la LEY N° 2125 de 2021</a> <a href="#">Decreto 1860 de 2021</a>
Victims of armed conflict	<p>Victims of armed conflict are defined, in accordance with Law 1418 of 2011, Article 3, as people who, whether individually or collectively, have suffered harm because of events that occurred as of January 1, 1985, as a result of violations of International Humanitarian Law or grave violations of international human rights law, which occurred because of domestic armed conflict. Victims include the spouse, permanent partner, same-sex couples, and direct relatives and immediate family members of the victim, when he or she has been killed or disappeared. In absence of these conditions, relatives within the second degree of consanguinity will be considered victims of armed conflict.</p> <p>Most victims of armed conflict are in the Single Registry of Victims (RUV for its Spanish acronym).</p>	<a href="#">Ley 1448 de 2011</a> <a href="#">Registro Único de Víctimas - RUV</a>

Population / Other Beneficiary Groups	Definition	Source: Links
Victims of forced displacement	Victims of forced displacement are defined in Law 1418, article 60 as “any person who has been forced to migrate from national territory, abandoning their place of residence or habitual economic activities, because their life, physical integrity, safety or personal freedom have been violated or who are directly threatened by violations as described in article 3 of this Law.”	<a href="#">Ley 1418 de 2010</a>
PDET Municipalities	There are also PDET municipalities (Development Programs with a Territorial Approach), which are 170 municipalities whose lands were most affected by violence poverty, illicit economic activities, and weak institutions. Some of the eligible projects prioritize households or people located in PDET municipalities because they are a 15-year special planning and management instrument that seeks to give visibility the most severely affected lands, with the aim of fostering their stabilization and transformation.	<a href="#">Agencia de Renovación del Territorio</a>
Rural area	<p>Defined as disperse rural areas and populated centers defined in the Territorial Ordering Plan (POT for its Spanish acronym) and the Territorial Ordering Scheme (EOT, for its Spanish acronym).</p> <p>Rural areas are characterized by the dispersed location of house and the type of farming performed on them, and where streets, roads, avenues do not have names.</p>	<a href="#">DANE</a>



## Disclaimer

The Ministry of Finance and Public Credit reserves the right to modify this sovereign green, social, and sustainable bond framework to reflect best international practices or Colombia's international commitments. The Colombian government does not assume any responsibility or obligation to update or revise this Framework, regardless of whether it is affected by the outcomes of new information, future events or other.

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