

MEDIA FACT SHEET:

PRIORITY TOPICS FOR COP27 INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank (IDB), IDB Invest and IDB Lab attend the COP27 as the region's leading strategic partner for channeling public and private investment and mobilizing private capital for climate change action. IDB Invest is the multilateral development bank's private-sector arm, while IDB Lab is its innovation laboratory.

In 2021 alone, the IDB Group delivered \$6 billion in climate financing. In this fact sheet we highlight the IDB Group's actions in the four priority areas the group will highlight at this conference: adaptation, mitigation, climate finance, and just transition.

ADAPTATION

Resilience and Risk Management

Every dollar invested in resilience, whether through better infrastructure or preparedness and systematic risk-reduction, can save four dollars in post-disaster response and reconstruction costs. Seventy-five percent of the population of Latin America and the Caribbean lives in areas with a high risk of natural disasters, which have tripled in the region over the last 50 years. Moreover, climate-related natural disasters cause the region annual losses of over \$3 billion. Given this situation, the IDB helps the region [increase its resilience](#) to climate change impacts. It also plays a critical role in emergency response through contingent credit.

From 2016 to 2021, the IDB Group provided \$26 billion in climate financing, which is approximately 60% of all climate financing provided to the region by multilateral development banks. Of this financing, \$8.3 billion was for adaptation and climate resilience. IDB Invest's contribution to adaptation has grown from \$400,000 in 2016 to \$105 million in 2021.

To date, the IDB has approved \$2.6 billion in contingent financing for natural disasters. Moreover, in 2021 it created the "hurricane clause" within its Contingent Credit Facility for Natural Disaster Emergencies. This clause allows a borrower to defer principal debt payments on eligible IDB loans for two years in the event of a disaster.

The IDB also helps member countries improve their climate risk governance: it provides analysis tools for developing long-term strategies for climate action that incorporate adaptation measures. The IDB also helps countries achieve their

commitments under the Paris Agreement. Moreover, the IDB has committed to assessing disaster and climate change risk in 100% of its operations by 2023. Examples of IDB support for resilience include:

- **Barbados** recently included the hurricane clause, and **the Dominican Republic, Jamaica and Bahamas** are considering applying it.
- In **Barbados**, the IDB supports efforts to strengthen disaster-risk resilience and management through a \$100 million policy-based loan.
- In **Honduras**, the IDB supports major reconstruction and resilience initiatives in the aftermath of Hurricanes Eta and Iota.
- In **Guatemala**, the IDB is conducting a disaster-risk assessment to include climate-change projections in road design.
- In **Bolivia**, the IDB assesses dam risks in irrigation projects to include failure modes related to climate change uncertainty.

Energy Transition

Investment in renewable energies and energy efficiency can boost post-pandemic job creation. Studies show that, on average, investing \$1 million in renewable energies and energy efficiency generates more than seven jobs, almost three times what investment in fossil fuels generates.

The IDB provides support across the entire cycle of the energy transition: it assists with long-term planning of the transition; it fosters the development of regulatory frameworks to enable private investment; and it offers blended finance solutions. In 2021, IDB Invest provided \$654 million in long-term capital and \$416 million in short-term loans for 11 energy projects.

MITIGATION

Biodiversity Protection

Latin America and the Caribbean is home to 40% of the world's total biodiversity. Its ecosystem services generate more than \$15 trillion per year in economic value for the region. These services include water purification, flood regulation, or pollination by insects. For this reason, it is crucial to preserve the region's forests and ecosystems and reduce deforestation in the Amazon.

The IDB is working to ensure the protection of biodiversity in the region. In 2021, the IDB began helping 15 member countries integrate biodiversity into their country strategies. Also, in 2021, it launched an initiative to promote sustainable development in the Amazon, focusing on the bioeconomy; sustainable management of agriculture, livestock, and forests; human capital; and sustainable cities and infrastructure. The initiative is expected to generate up to \$1 billion in contributions.

The IDB's main actions on biodiversity in the region are summarized below:

- [Barbados completed a debt conversion for nature](#) backed by a \$150 million guarantee from the Inter-American Development Bank (IDB) and The Nature Conservancy,

allowing the country to reduce borrowing costs and use savings to finance a long-term marine.

- In **Chile**, the IDB supported the creation of the first conservation trust in the country and is currently helping design and implement the *Fondo Naturaleza de Chile*. The IDB also supports the design of the road map for the country's natural capital committee, which will determine how the government can incorporate the economic value of natural capital into its management decisions.

CLIMATE FINANCE

The IDB pioneers the development and use of innovative financial tools to leverage private sector investment and reform financial markets for climate-resilient development. Together, the IDB and IDB Invest have supported a total of 76 thematic bond issues, including green, social, sustainable and sustainability-linked bonds. Around 30% of the volume of climate-related bonds issued in the region was supported by the IDB Group. Recent thematic bond issues in the region include:

- **2022:** [The IDB worked with Uruguay's Ministry of Economy and Finance to prepare the framework for issuing its first sovereign bond with a price linked to sustainability indicators.](#)
- **2019:** [Technical assistance by the IDB and the NDC Accelerator Fund for Sovereign Green Bonds in 2018 enabled Chile's historic green bond issue in 2019.](#)
- **2017:** [Technical cooperation with Colombia led to the country's first green bond issued by a national development bank.](#)

To boost investor confidence, provide greater transparency to the green bond market in the region, and facilitate harmonized and standardized reporting, the IDB and IDB Invest launched the Green Bond Transparency Platform in 2021. So far, more than 80% of the volume of bonds issued in the region is reported through the platform. In 2022, this digital tool won Environmental Finance's "Initiative of the Year" recognition. So far, the platform includes information from 90 issuers on 190 different issues.

In another area of climate finance, the IDB and the United Nations' Green Climate Fund (GCF) created the first regional fund to promote electric mobility and green hydrogen in Latin America and the Caribbean. The fund is expected to provide \$450 million in concessional loans and grants to nine countries. This fund will be officially launched at the COP27.

Finally, the IDB is a strategic partner for member countries seeking to access Climate Investment Funds in areas such as renewable energy integration, resilience and accelerating net-zero transition.

JUST TRANSITION

Decarbonization

The transition to a net-zero economy could create 15 million new jobs in the region and cause an additional 1% of GDP growth by 2030 ([IDB](#)). Moreover, decarbonizing

the region would reduce annual spending on energy and transport by US\$621 billion. Conversely, by 2030, climate change could push 6 million people into extreme poverty in Latin America and the Caribbean, and the region could lose 2.5 million jobs due to heat stress alone by 2030.

The IDB is committed to increasing financing for member country initiatives to achieve net-zero emissions and build the climate-resilient economies needed for sustainable and inclusive growth. Some of the IDB's support in this area is detailed below, along with [estimates](#) of the benefits of decarbonization:

- **Costa Rica:** In July, 2022, [the IDB approved a \\$300 million loan to continue to back Costa Rica's National Decarbonization Plan](#), which aims for net-zero emissions by 2050. The IDB estimates Costa Rica's National Decarbonization Plan will yield \$41 billion in net benefits between 2020 and 2050.
- In **Peru**, the IDB estimates that achieving carbon neutrality could yield \$140 billion in net benefits by 2050
- **Chile:** the IDB supported the drafting of the Long-Term Climate Strategy, and it is currently helping design strategies for putting the strategy into practice at the sector and subnational levels. The IDB estimates that achieving carbon neutrality by 2050 would lead to a 5.2% increase in Chile's GDP.

The IDB is identifying opportunities for [green employment recovery](#), including job creation and transformation in critical economic sectors with large potential to contribute to decarbonization, such as agriculture, energy and transport. In addition, the IDB identifies the skills that the labor force will need to advance and benefit from the transition to a net-zero economy.

Likewise, considering that 60% of the region's energy comes from renewable sources, Latin America and the Caribbean can begin addressing the next major area of decarbonization: transportation. The IDB has provided strategic and regulatory assistance to 20 countries to electrify transport and implement promising [green hydrogen](#) solutions for freight transport, since Latin America and the Caribbean is very well-positioned to produce, store, and distribute clean hydrogen at a competitive price.

IDB LAB

- [IDB Lab recently selected six innovative solutions](#) for the sustainable management of chemicals and hazardous waste in the Caribbean as part of the BlueTech for Waste Challenge. The initiative was launched in partnership with the Global Environment Facility (GEF) to protect human health and the environment and address climate vulnerability. It focused on ready-to-implement models in twelve Caribbean countries, with scalable and sustainable proposals that promote the economic and social inclusion of poor and vulnerable populations, supporting the ocean economy (or blue economy) of that region. The selected proposals will receive support to advance the design of their solutions and will obtain financing and/or technical assistance to implement their projects.

- IDB Lab and the National Organization of Indigenous Peoples of the Colombian Amazon launched a prototype of [the first indigenous fund capitalized by selling Indii tokens](#). The Indii Token is a Non-Fungible Token (NFT) based on the valuation of the natural capital of one hectare of Amazon rainforest in indigenous reserves. Marketing campaigns will encourage the general public to buy Indii tokens linked to improving the living conditions of indigenous communities and preserving or restoring the ecosystems of the Amazon biome. By purchasing these tokens, people will make traceable financial contributions to projects developed by the communities.
- IDB Lab pursues a zero-waste world by [supporting the innovative solutions of climate technology startup Sugo](#). This Peruvian company offers an online store (Sugo Store) that exclusively sells merchandise that has cosmetic flaws, does not sell well, or is close to expiration. Sugo also offers a management, quantification, and authentication services platform (CoreZero) tells companies that reduce waste how many units of CO2 they saved in order to obtain carbon credits and generate income. This initiative is expected to keep over 65 million products out of the landfill, generate \$137 million in savings for consumers, and reduce CO2 emissions by 8 million tons annually.
- IDB Lab has launched [Regenerate](#), the first fund to develop the entrepreneurial ecosystem that will create emerging bioeconomy business opportunities in the Amazon region.
- IDB Lab has promoted the creation of the [Small Farmers Climate Change Adaptation Fund \(SMAF\)](#) and has contributed \$4.4 million to the fund, which provides microfinance loans to help smallholder farmers in LAC adapt to changes that affect their activities and productivity and threaten their livelihoods. SMAF is focused on rural areas of Mexico, Ecuador, Peru, and Central American countries. It will benefit 20,000 farmers.