

## TC Document

### I. Basic Information for TC

▪ Country/Region:	Brazil
▪ TC Name:	Enhancing Brazil's capacity to access Green Climate Fund (GCF) finance for NDC implementation
▪ TC Number:	BR-T1361
▪ Team Leader/Members:	Barbara Brakarz and Gloria Visconti co-Team Leaders (CSD/CCS), Cristina Celeste Marzo (LEG/SGO), Pamela Ferro (CSD/CCS), Anne Gander (CSD/CCS), Eduarda Zoghbi (CSD/CCS), Juan Carlos Gomez Sandoval (CSD/CCS), Angelo Angel (CSD/CCS), Fernanda Oliveira de Sousa (CSC/CBR), Carlos Ignacio Carpizo Riva Palacio (CSC/FMP).
▪ Taxonomy:	Client Support
▪ Date of TC Abstract authorization:	16 Feb 2018
▪ Beneficiary:	The Federative Republic of Brazil, via its Ministry of Finance
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB) Barbara Brakarz CCS/CBR Gloria Visconti CSD/CCS
▪ Donors providing funding:	SUS - OC Strategic Development Program for Sustainability
▪ IDB Funding Requested:	\$ 250,000
▪ Local counterpart funding, if any:	n/a
▪ Disbursement period:	28 months (including execution period)
▪ Required start date:	May 15, 2018
▪ Types of consultants:	Firm and individual consultants
▪ Prepared by Unit:	CSD/CCS
▪ Unit of Disbursement Responsibility:	Country Office Brazil (CSC/CBR)
▪ TC Included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Protect the environment, respond to climate change, promote renewable energy and ensure food security, enhance capacity-building for climate finance.

### II. Objectives and Justification of the TC

- 2.1 The objective of this Technical Cooperation (TC) is to support the Government of Brazil, via its Ministry of Finance, to identify the most appropriate institutional arrangements, taking into account the national circumstances and institutional requirements, to enhance efficiency and efficacy in accessing finance from the Green Climate Fund (GCF) and assist the Ministry in operationalizing its role as the National Designated Authority (NDA) for the GCF, as well as supporting the engagement of other Ministries that are members of the national GCF governance in the activities related to the NDA.
- 2.2 This TC will also aim to analyze the most suitable financial instruments for the country to support the implementation of its Nationally Determined Contribution (NDC) strategy, under development, coordinated by the Ministry of Environment, including

the assessment of other sources or resources/funds, at national and international level to assess the potential role of the GCF in this context.

- 2.3 Prior to the Conference of the Parties (COP 21) of the United Nations Framework Convention on Climate Change (UNFCCC), in December 2015, developed and developing countries submitted their Intended Nationally Determined Contributions (INDCs), featuring their proposed climate actions. The Paris Agreement, established during the COP 21, set ambitious objectives for emission reductions to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C by 2100. This TC expects to support the implementation of the Brazil's Nationally Determined Contribution (NDC), especially in regard to the commitments of reducing greenhouse gas (GHG) emissions by 37% below 2005 levels in 2025. As a subsequent indicative contribution, Brazil also intends to reduce GHG emissions by 43% below 2005 levels in 2030.
- 2.4 In parallel with the IDB's work in the Amazon biome, the GCF envisages calls for REDD+ proposals, which overlaps with existing operations, namely the Rural Sustentável (BR-X1028) and the Sustainable Supply Chain Ecosystem Platform (BR-T1400). REDD+ activities aim to reduce deforestation and forest degradation through results-based payments, thus promoting a transition to a green economy. Structuring the GCF in Brazil is vital for financing climate actions that have a greater potential for mitigating greenhouse gas emissions while fostering social and economic development for the country. Furthermore, the ongoing *InfraInvest: sustainable infrastructure for Brazil (BR-T1377)* program foresees a study that indicates the cost-efficiency of investments on energy, land use and transport for Brazil's economic progress, aiming to unlock investments and funding opportunities that are largely associated with international funds such as the GCF.
- 2.5 The operation is therefore aligned with climate change, environment and sustainability cross-cutting themes, as it seeks to promote sustainable forest management, low carbon agriculture and sustainable infrastructure, which is critical to deliver on the Sustainable Development Goals (SDGs)<sup>1</sup>, and to respond to the objectives of the Paris Agreement to limit dangerous global temperature rise to 2°C and manage climate related risk. Additionally, this operation is aligned with IDB's "Climate Change Sector Framework Document (SFD)", (GN-2835-3), adopted in December 2015, that promotes a multisector and interdisciplinary approach to climate change. The project is also consistent with the Environment and Biodiversity Sector Framework Document (GN-2827-3), the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (GN-2609-1) and Action Plan (GN-2609-3).
- 2.6 This operation is committed to the IDB Country Strategy for Brazil 2016 – 2018 ([GN-2850](#)) which seeks to support Brazil in six strategic objectives: (i) stimulate social and productive inclusion; (ii) improve the condition of the country's infrastructure; (iii) promote the development of sustainable cities; (iv) improve the institutional capacity of public entities; (v) increase the sustainable management of natural resources and climate change mitigation and adaptation actions; and (vi) promote development through the private sector. Furthermore, the project is also consistent with the Country Strategy given its target to strengthen the Brazilian Government's institutional capacity as well as the crosscutting issues of gender, diversity, integration, and climate change.

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<sup>1</sup> Specifically, [SDGs](#) # 7, 9, 10, 11, 13,15

- 2.7 The outcomes expected under this TC are also coherent with the objectives of the IDB's Ninth General Capital Increase (GCI-9), which establishes that the Bank will support actions to achieve sustainable growth in Latin America and the Caribbean. The GCI-9 further mandates that the Bank improves its capacity to assist the region in its transition to a green economy.
- 2.8 The program is consistent with the Update to the Institutional Strategy 2010-2020 (AB-3008) and is aligned with the development challenge of productivity and innovation. On the other hand, the Brazilian GCF Country Strategy was developed throughout 2017, putting in evidence strategic pillars and investment areas for GCF action in Brazil<sup>2</sup>. Given that the proposed TC aims to enhance the national GCF project portfolio to address the challenges previously mentioned, it reinforces the following principles: (i) social inclusion and equality and (ii) productivity and innovation as it aims to promote sustainable management of forest; market access; low carbon agriculture and adaptation in the production sector as well as strengthening the capacity of providing inclusive infrastructure and infrastructure services. Inclusive growth, human well-being and poverty reduction depend critically on the type, extent and quality of the infrastructure that supports key services: food, energy, water supply, safe and resilient cities, and sustainable industrialization.
- 2.9 Additionally, the program will contribute to the Corporate Results Framework 2016-2019 (GN-2727-6) (CRF) by providing means (governance assessments, action plans, capacity enhancement programs for regulations and procurement guidelines, relevant information, etc.) to institutions and decision makers, to facilitate the generation of capacities and the creation of policies that enable an environment that facilitates mobilization of public and private investments into sustainable infrastructure, encouraging sustainable, inclusive, competitive and efficient business models<sup>3</sup>. The TC also targets the commitments made in April 2016 by the Boards of Governors of the IDB and IIC to increase the volume of climate-related financing to 30 percent of operational approvals by the end of 2020 and to access external sources of concessional financing and contributes to the objectives of the Strategic Development Program for Sustainability (SUS - OC Fund), GN-2819-1, as it relates to the reduction of GHG emissions and the mobilization of financial resources for climate change mitigation and adaptation. Finally, this TC is aligned with the Strategy on Sustainable Infrastructure for Competitiveness and Inclusive Growth (GN-2710-5) whose objective is to guide the Bank's work in supporting improved competitiveness and fostering regional integration, thus enhancing inclusive economic growth.

### III. Description of Activities/Components and Budget

- 3.1 **Component 1: Strengthening the capacity of the Ministry of Finance in its role and responsibility as National Designated Authority (NDA) for the Green Climate Fund (GCF) (US\$ 135,000).** This component entails the following activities: (i) identify procedures for evaluating and issuing the "no objection" letter for funding proposals to be presented to the GCF Board for funding; and procedures to attend and to reply to

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<sup>2</sup> Strategic Areas for GCF action: i) Agriculture and Forestry (Sustainable Management of Forest Assets, Forest Economy and Market Access/Low Carbon Agriculture and Adaptation in the Production Sector); ii) Sustainable infrastructure (Low Carbon Transport Modes/ Renewable Energy, Distributed Generation and Energy Storage / Energy Efficiency for Public Lighting, Industry and Buildings/ Advanced Biofuels and Bioenergy Technologies/ Efficient Buildings and Resilient Housing/ Ecosystem-based Adaptation (EbA) and Water Security/ Resilience and sustainability of indigenous peoples and traditional communities).

<sup>3</sup> Country Development Results Indicator N° 25 of the CRF: "Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery".

interested proponents; (ii) review national strategies, priorities and guidelines to propose a NDA most efficient structure to fulfill its broad responsibilities as GCF focal point; (iii) design the methodologies for capacity building activities such as workshops, research and other training methods on different GCF related issues, appraisal of projects and GCF procedures and criteria; (iv) mapping stakeholders interested in developing CGF proposals, and identify good practices and lessons learned from other NDAs, implementing agencies and key players; and (v) translate the Country Program Document<sup>4</sup> to English.

- 3.2 The expected outputs for this component are: (i) an operational manual with guidelines, work routine and procedures for NDA most efficient structure developed and published; (ii) a capacity building program on GCF issues developed and implemented; (iii) a strategy to disseminate the Country Program and engagement of interested parties designed and executed.
- 3.3 The expected outcomes for this component are: (i) strengthen the Ministry of Finance's knowledge, capacities, processes, systems and procedures to support full compliance with its responsibilities as the GCF's NDA of Brazil; and (ii) Increase awareness and understanding of opportunities and requirements of the GCF to national stakeholders.
- 3.4 **Component 2: Development of a project/program pipeline (US\$ 80,000).** This component entails the following activities: (i) identify investment opportunities for the private and public sector in Brazil; (ii) analyze the NDA's capacity to engage the private sector to identify most appropriate areas for GCF financing, considering the potential for scale up and transformational effect; and (iii) Review and analyze opportunities arising from other international funds, such as the Climate Investment Funds, either as alternative sources of funding for projects or as sources for co-financing with the GCF.
- 3.5 The expected outputs for this component are: (i) a proposal of a project/program pipeline developed; and (ii) a set of recommendations to the NDA to engage the private sector identified.
- 3.6 The expected outcome for this component is an increase in the likelihood of projects/programs that contribute to the implementation of specific actions under the Brazil Country strategy for the GCF.
- 3.7 **Component 3: Development of concept note or full funding proposal (US\$35,000).** This component entails the following activities: (i) review Brazil's priorities and the activities underway for the development of a national pipeline for the GCF; (ii) identify and select one opportunity for further appraisal in the context of this project to develop a concept note or full funding proposal to access GCF resources;<sup>5</sup> and (iii) analyze and ensure that those selected proposals meet high-quality standards. These proposals would be canalized by the IDB as accredited entity for the GCF. Financing from other sources, either as co-financing with the GCF or as

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<sup>4</sup> Preliminary version of the Country Program/Country Strategy for the GCF:

[http://www.fazenda.gov.br/assuntos/atuacao-internacional/fundo-verde-do-clima/arquivos/documento-base-para-discussao\\_estrategia-do-brasil-para-o-gcf\\_08\\_11.pdf](http://www.fazenda.gov.br/assuntos/atuacao-internacional/fundo-verde-do-clima/arquivos/documento-base-para-discussao_estrategia-do-brasil-para-o-gcf_08_11.pdf)

<sup>5</sup> The opportunity to be further developed will be selected in coordination between the Ministry of Finance and IDB. The proposal developed under this component will go through the same non-objection procedure to be used for the consideration of any other financing proposal to be submitted to the GCF.

alternative sources of funding, may also be considered in the development of proposals.<sup>6</sup>

- 3.8 The expected output for this component is a concept note or full funding proposal with the opportunity to highlight the contribution of GCF financing to the implementation of the NDC, as well as showcasing innovative approaches that could be replicated in the Brazilian and international context.
- 3.9 The expected outcome for the component is the promotion of an attractive investment climate through projects with the potential to generate transformational impact and replicability in Brazil.

**Indicative Budget (US\$)**

Activity/Component	IDB/Fund	Counterpart	Total
<b>Component 1.</b> Strengthening the capacity of the Ministry of Finance	135,000		122,000
<b>Component 2.</b> Development of a project/program pipeline.	80,000		80,000
<b>Component 3.</b> Development of a specific concept note or full funding proposal.	35,000		35,000
<b>Total</b>	250,000		250,000

#### **IV. Executing agency and execution structure**

- 4.1 In this Technical Cooperation, the IDB will operate as executing agency upon request of the Secretariat of Foreign Affairs within the Ministry of Finance, as National Designated Authority under the GCF, aiming to, accelerate the acquisition of consultancies and guarantee the quality of the analysis' study activities, assuring the effectiveness of the work. In view of the Bank's international recognition and extensive experience in projects that promote sustainable development, its role as executor will ensure transparency of results and efficiency in the allocation of resources. Bank procurement policies will be followed in the tender process of these activities. For contracts with consulting firms, The Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1) will apply. For contracts with individual consultants, the AM-650 Complementary Workforce (CW) Policy will apply. For the dissemination expenses and other services (workshops, catering, printing and publishing, etc.), policies of corporate procurement (GN-2303-20) will be followed. The monitoring of each specific task will be done through a direct and regular supervision by the team leader and the beneficiary could provide technical inputs to the reports produced under this Technical Cooperation.
- 4.2 Other relevant ministries might be consulted to encourage a multisectoral approach and additionally to the scope of this TC, however, the IDB will coordinate all activities with the Ministry of Finance and will not supervise activities from other institutions.

<sup>6</sup> The support for the development of proposals, to be provided in the context of component 3, is not a pre-requisite for the submission of other proposals from interested institutions/accredited entities for the consideration of the NDA.

## **V. Major issues**

- 5.1 The main risk of this TC is that those programs and projects prioritized and submitted to the GCF and other multilateral and bilateral funds are not approved. The activities of the TC seek to mitigate that risk by ensuring that the submitted proposals follow a rigorous selective process managed by the NDA in Brazil and comply with the funds criteria and are well designed taking advantage of the existent expertise of IDB operational Divisions. An additional risk is the increased competition and multiple channels to access the GCF. To mitigate this risk, the TC will be the foundation to strengthen the relationship between the NDA and the Bank and position the latter as a relevant partner for future GCF and climate finance proposals. In fact, the TC will allow the NDA to benefit from the experience of the Bank in submitting proposals to the GCF and its know-how on the application process. This will add a competitive advantage to the proposals developed with the support of the Bank.

## **VI. Exceptions to Bank policy**

- 6.1 No exceptions to Bank policies are envisioned for this TC.

## **VII. Environmental and Social Strategy**

- 7.1 It is not anticipated that the activities of this TC will have negative direct social or environmental impacts, as it has been classified as Category “C” per the Environment and Safeguards Compliance Policy (OP-703) (see the [Safeguard Screening Form](#) and the [Safeguard Policy Filter Report](#)). Projects supported by this TC and submitted to the GCF will have their own environmental and social screening and classification.

## **VIII. Required Annexes**

- Annex I: [Letter of Request](#)  
Annex II: [Results Matrix](#)  
Annex III: [Terms of Reference](#)  
Annex IV: [Procurement Plan](#)

**ENHANCING BRAZIL'S CAPACITY TO ACCESS GREEN CLIMATE FUND (GCF)  
FINANCE FOR NDC IMPLEMENTATION**

**BR-T1361**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the **Ordinary Capital Strategic Development Program for Sustainability (SUS)** and through a communication dated April 5, 2018 and signed by Felipe Caicedo (ORP/GCM). Also, I certify that resources from said funds are available for a combined up to **US\$250,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Certified by:

_____ Original Signed Sonia M. Rivera Chief Grants and Co-Financing Management Unit ORP/GCM	_____ 5/29/2018 Date
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Approved:

_____ Original Signed Amal Lee Amin Chief Climate Change Division CSD/CCS	_____ 5/30/2018 Date
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