



Inter-American
Development Bank
Climate Change
Action Plan
(2012-2015)

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I. Objective

Latin American and Caribbean countries have a need to reduce their vulnerability to climate change and reduce their carbon footprint as part of global climate stabilization goals. As a result, the Inter-American Development Bank (IDB) has developed an Action Plan as a direct instrument to implement its Climate Change Strategy.

By leveraging the IDB's institutional strength and competitive advantages, the Climate Change Action Plan promotes the development and use of a range of public and private sector financial and non-financial instruments to enhance the region's institutional, technical, and financial capacity to address climate change. It also provides guidance for the Bank's dialogue on regional and national climate policy agendas with governments, civil society, and the private sector.

The Action Plan details the five lines of action that will be put into operation over the next four years (2012-2015), as well as a framework to monitor the Bank's output contributions resulting from its commitment to strengthen climate change activities as per the requirements of the Ninth General Capital Increase approved by the IDB's Board of Governors in 2010.



II. Priority areas of intervention

The Climate Change Action Plan serves as the IDB's strategic and operational instrument to scale-up support for climate adaptation and mitigation activities and to respond effectively to regional priorities and demand for technical assistance and finance.

The Bank emphasizes the imperative to reduce vulnerability to the consequences of climate impacts on the economies and natural resource base in the region. It also recognizes the need to accelerate a de-carbonization of the economy, ensuring that greenhouse gas emissions are decoupled from sustained economic growth.

Given the scale of needed interventions and resources available to cover climate-related priorities in Latin American and the Caribbean countries (LAC), the Action Plan addresses three key priority areas which include cross-cutting issues:

First, it strengthens the IDB's involvement in adaptation, including increased financial resources to address some of the most significant consequences of climate change.

This focus is required not only to respond to the magnitude of anticipated impacts, but also to counteract the relatively low-level of awareness on the topic and lack of resources available for adaptation activities. The goal of the adaptation efforts is to strengthen the resilience of natural systems, communities, businesses, and economies in the region to the impacts of climate change.

The Bank will support efforts to address the most significant consequences of climate change in the region by:

- Increasing the quality and availability of climate change vulnerability data and analyses, by improving climate change models, downscaling data and producing detailed local projections;
- Developing programs and investments that reduce the impacts of climate change in water supply and water quality;
- Reducing vulnerability to climate impacts in coastal and marine ecosystems;
- Strengthening the resilience of forest and other fragile terrestrial biomes to climate impacts; and
- Addressing climate change impacts in agriculture.

Secondly, it supports activities with the largest potential for greenhouse gas (GHG) emission reductions, including reductions in GHGs from land use change and deforestation, transport, and power generation. The Bank will channel capacity building and lending programs for:

- Reducing GHG from land use change and deforestation by reducing deforestation, recuperating degraded lands, assisting regeneration, enhancing traditional knowledge improving land tenure regularization, supporting technology innovation, and focusing on sustainable and productive agricultural practices that reduce GHG emissions and enhance carbon sinks;
- Adopting low carbon transport systems, including measures such as modal shifts, high-capacity energy-efficient transport modes, mass transit, non-motorized transport, transit oriented development, transport demand management, urban logistics, efficient freight and logistics management and infrastructure, intelligent transport systems, and clean fuel and vehicle technologies; and
- Reducing the GHG footprint of the energy matrix and promote energy efficiency consistent with the Sustainable Energy Guidelines of the Bank, including supporting low-carbon power, deployment of world class renewable energy sources and energy efficiency.



Third, it promotes technology development, social engagement, and resource mobilization that encourage synergies between adaptation and mitigation actions by supporting:

- Smart infrastructure solutions that reduce climate change impacts of infrastructure works (including projects addressing economic integration) and incorporate, when feasible, new design and construction standards;
- Social actions, by strengthening the knowledge base and capacity to address social dimensions of projects and mainstream climate change considerations in the Bank's social sector operations (including poverty reduction, health, education, indigenous peoples, gender, and diversity);
- Access to international climate finance and international partnerships, including supporting the region's interests in new and existing international funding mechanisms such as the Green Climate Fund (GCF), the Climate Investment Funds (CIF) and other "fast track" resources, Nationally Appropriate Mitigation Actions (NAMAs), and other potential new carbon finance instruments; and
- A Platform to expand private sector investments, as to complement and leverage the resources available in public budgets for climate investment.

Table 1. Key Climate Impacts on the Natural Resource Base of Latin America					
Climate Hotspot	Direct effect	Immediacy	Irreversibility	Magnitude of physical impacts	Economic consequence
Coral Biome in the Caribbean	Bleaching and mass mortality of corals	Now	Once temperatures pass the threshold for thermal tolerance, corals will be gone.	Total collapse of ecosystem and wide-ranging extinction of associated species.	Impacts on fisheries, tourism, increased vulnerability of coastal areas.
Marine ecosystems	Changes in the primary productivity	Now	Higher temperatures and lower pH shift are irreversible	Mayor changes in species distribution and composition	Impacts on fisheries, tourism
Mountain ecosystems in the Andes	Warming	Now	The thermal momentum in mountain habitats will result in significant increases in temperature, leading to major uni-directional changes in mountain ecology.	Disappearance of glaciers, drying-up of mountain wetlands, extinction of cold-climate endemic species, loss of utility in terrestrial protected areas with climate change shifts.	Impacts on water and power supply, displacement of current agriculture and changes in planting patterns (with varying degrees of impacts depending on location, seasonality, and ability to adapt).
Coastal wetlands	Subsidence and salination; increased exposure to extreme weather	This century	Irreversible sea level rises will submerge coastal wetlands, affecting their ecology.	Disappearance of coastal wetlands, displacement and extinction of local and migratory species.	Impacts on coastal infrastructure, fisheries and agriculture.
Amazon Basin	Forest dieback	This century	If rainfall decreases in the basin, biomass densities would also decrease.	Drastic change to the ecosystem, leading to potential savannah, direct loss of restricted range species that may be affected by extreme events, increased risks of forest fires.	Impacts on global water circulation patterns, agriculture, water and power supply on a continental scale.
Source: Vergara 2009. Assessing the Potential Consequences of Climate Destabilization in Latin America. Latin America and Caribbean Region Sustainable Development Working Paper No. 32. World Bank					

Table 2. Key Adaptation Concerns by Sector					
Impacts	Energy	Water	Transport and communications	Health	Agriculture
Changes in precipitation cycle, including intensification of rainfall and longer drought periods	Firm capacity of hydropower plants	Loss of regulation in watersheds Loss of natural storage capacity	Changes in drainage requirements	Increased exposure to tropical vector diseases	Net reduction in yields, losses in distribution
Sea level rise	Location of new structures, revamping of “must stay” infrastructure	Location and capacity of waterworks, treatment plants and discharges	Location of new structures, revamping of “must stay” infrastructure		Displacement of agricultural areas
Temperature increase	Demand for air conditioning	Affects quality of water supplies	Affects surfaces and drainage of road beds	Increased exposure to tropical vector diseases	Net reduction in yields of oil seeds and coarse grains in tropical areas Demand for irrigation
Intensification of extreme events	Ability of energy infrastructure to withstand high velocity winds and floods	Location and capacity of waterworks, treatment plants and discharges	Ability of transport infrastructure to withstand high velocity winds and floods		Net reduction in yields, losses in distribution
Increase in evaporation rates	Firm capacity of hydropower plants	Loss of net run-offs			Demand for irrigation
Loss of ice cover in the Andes	Firm capacity of hydropower plants	Loss of net run-offs			
Increase in sea surface temperature	Changes in cooling loads for power plants				

III. Strategic lines of action supported under the Action Plan

A. Strengthening the knowledge base

The Bank will focus on building technical capacity and knowledge regarding climate change adaptation and mitigation by providing and facilitating guidance, support, and knowledge.

The Action Plan supports the generation, application, and dissemination of knowledge in order to strengthen the capacity of its clients and staff. This knowledge also provides a guiding framework for the Bank's dialogue with governments, civil society and indigenous people, the academic/scientific community, and the private sector to help to achieve regional, sub-regional, and national objectives on climate policy.

To carry out these activities, the IDB will focus on five strategic lines of activity: (i) strengthening the Bank's knowledge base; (ii) strengthening institutions as well as private and public sector capacity; (iii) developing instruments to mainstream climate change mitigation and increasing resilience of Bank-funded activities; (iv) identifying and generating lending and technical assistance for climate action in key sectors; and, (v) scaling-up investments, addressing financial gaps, and leveraging private sector investments.

The Action Plan will focus on three tasks for knowledge generation by providing:

- The best climate change science and technical information to Bank clients and operations. The Action Plan promotes the use of the best available scientific information, technology advances, reliable sector data, and new Bank-generated information for the formulation and execution of studies and interventions related to adaptation and mitigation;
- Access to Bank clients to adequate data, information, tools, and instruments to assess climate change impacts. It will also identify, implement, monitor, report, and verify adaptation measures and GHG reductions, including potential social and economic co-benefits of adaptation and mitigation. The Action Plan identifies the importance of providing its clients and stakeholders with adequate climate change information, and supports the integration of this information into the Bank's operations, at planning and implementing stages;
- Support for the identification and sharing of lessons learned in the region, and the documentation of information on the Bank's climate change related operations. Given that the field of climate change is still developing, the Bank will continue to support and encourage the documentation of lessons learned from key clients, stakeholders, and from the global climate change community. The lessons learned will be disseminated using Bank resources, such as the Bank's Knowledge Repository, as well as through interagency partnerships and dedicated regional knowledge platforms.

¹ The Bank could support initiatives in partnership with other multilateral development banks (MDBs), multilateral and bilateral organizations, NGOs, United Nations agencies and other relevant institutions.

B. Strengthening the institutional capacity of public and private sectors as well as civil society

The Bank will leverage its unique position in the region to strengthen institutional frameworks in order to better respond to climate change and sustainable energy challenges.

The Action Plan aims at increasing institutional capacity (public/private) for the implementation of climate change initiatives, projects, and programs. To reach this goal, it focuses on five capacity areas:

- Assessing the climate change vulnerability of the region by estimating the cost of climate change impacts and benefits of alternative adaptation measures. The Bank will integrate and promote resilient actions in specific programs, national regulations, and planning;



- Assessing, monitoring, reporting and verifying potential GHG emissions reductions to identify the cost-effectiveness and possible social and economic co-benefits, and to integrate and promote mitigation actions in specific programs, national regulations, and planning;
- Capitalizing upon opportunities for action relating to the international climate change framework, including supporting effective participation of the LAC region in the United Nations Framework Convention on Climate Change (UNFCCC), designing and implementing new mechanisms such as NAMAs and National Adaptation Plans (NAPs), and strengthening national and sub-national planning and regulatory capacities;
- Promoting Low Emissions and Resilient Development Strategies by integrating national climate change strategies and reports (such as national communications, technology needs assessments, GHG inventories and vulnerability assessments) into national development, and supporting sector and sub-national planning, reliable data gathering, and processing and maintenance systems; and
- Identifying potential financial and investment flows from climate funds.² The Bank will support its clients in accessing and complying with the requirements of the climate funds. It will also help them to develop fiscal incentives and budgetary plans, and supports their absorptive capacity to channel funds and scale-up private finance. The Action Plan will build the capacity of finance ministries and strengthen the role of both national development banks and local financial institutions to channel international climate finance.

² Financial sources include international public climate finance, carbon finance, national dedicated funds and incentives, innovative financial instruments, and both fiscal and budgetary measures.

C. Developing instruments to make climate change an integral, everyday part of all Bank-funded operations

The Bank will develop instruments to include climate change impacts in its operations, support comprehensive GHG reporting, and improve climate resilience in the activities it finances.

In an effort to enhance the integration of climate change considerations in lending operations, the Action Plan supports the following activities, namely:

- Developing internal documents on climate change. Based on the national climate change strategies, policies, and reports (such as national communications, GHG inventories, vulnerability assessments, NAMAs and NAPs), the Bank will systematically support the use of climate change sector notes as inputs to country specific strategy development and dialogue;
- Building Bank staff capacity. The Bank will consolidate and expand knowledge and training products in the coming years. This includes general and thematic climate change courses (including economics of climate, assessment of climate risks, GHG accounting, financial instruments, and opportunities to mitigate climate change, etc.), knowledge platforms, and communities of practice;
- Developing methodological approaches to assess and implement climate resilient alternatives and low-carbon options. The Bank will develop methodological tools to review investments in climate resilience and low-carbon growth. This will include: best practices that integrate climate change considerations into the design, construction and maintenance/operation of infrastructure; decision-support planning methods and tools; approaches to assess vulnerability; screening tools to assist with the identification of climate change adaptation and mitigation opportunities; and requirements for accessing/blending Bank resources with other concessional climate finance resources;



- Providing technical support to design, monitor, report, and verify GHG emission reductions and adaptation measures. The Bank will support the process of designing, monitoring, reporting, and verifying results from adaptation/mitigation measures. This support will also include designing and implementing activities under new mechanisms that are being developed under the international climate change framework, such as NAMAs and NAPs;
- Developing risk assessment and risk management instruments (vulnerability indices, impact simulations, risk sharing financial instruments, etc.) for climate change impacts. The Bank will work to develop new instruments as well as strengthen existing instruments to respond to climate impacts;
- Accounting and reporting of GHG emissions from the Bank's operations. The Bank will continue to pilot accounting and reporting of GHG emissions. It will also continue to proactively engage with other MDBs to promote the dialogue and exchange of improved practices in GHG accounting and reporting;
- Tracking the international negotiations on climate change, including the UNFCCC process, to ensure that the Bank integrates important advancements into its practices. The Bank will continue to participate in relevant international climate forums and further promote its visibility and positioning; and
- Establishing a tracking system. The Bank will complete the development and adoption of a tracking system to account for both adaptation- and mitigation-related investments and assess their impacts on reducing vulnerability and GHG emissions. This work will be coordinated with other Multilateral Development Banks.



D. Expanding lending and technical assistance in key sectors

The Bank will increase its lending and technical assistance programs in climate-sensitive sectors and will mainstream climate change mitigation and adaptation in the design and implementation of its operations.

To reach this outcome, the Action Plan focuses on two areas:

I. Use of “traditional” Bank instruments for climate change action.

- Technical cooperation activities. Funding for the analytical groundwork that will support government strategies and integrate adaptation and mitigation in their planning, as well as identify potential for low-carbon and resilient investments, including those supported by Bank operations;
- Investment loans: Resources to pilot new technology and programs, facilitate investment flows to higher-risk sectors and countries, and support financial institutions in their climate-specific funding and operational activities;
- Policy-based loans: The Bank will provide assistance for macroeconomic, sectoral and institutional reforms required to ensure the development of strong regulatory frameworks that provide the necessary incentives to integrate climate change in national development planning and promote investments in low-carbon resilient activities; and
- Disaster reconstruction loans. The Bank will provide resources to address the effects of climate change-related disasters in order to protect funding for physical infrastructure and social programs, including long-term adaptation activities.



II. Development of innovative financial instruments for climate change:

The Bank will closely follow the development of new financing mechanisms in the international climate change framework, and is already working in developing a range of innovative solutions to integrate climate change risks when structuring investments, in order to leverage carbon finance and unlock low-carbon private sector investments. The Bank will seek to develop the following climate finance instruments and mechanisms such as:

- Grant facilities and concessional lending for climate change adaptation and mitigation support as a way to reduce barriers to investments and lower climate investment costs;
- Climate-specific risk management instruments such as weather risk insurance in order to transfer risk and provide emergency liquidity;
- Climate finance and asset development facilities that could be used to guarantee or service investment loans;
- Other results-based payment schemes which include payment for environmental services;
- Targeted funding to mobilize resources for climate investment;
- Seed funds for establishing national climate change funds, in particular adaptation funds for highly vulnerable countries; and
- Venture capital and equity instruments used by the Multilateral Investment Fund (MIF).

E. Scaling-up investments and leverage of private sector investments

The Bank will develop financial mechanisms to scale-up investments, address financial gaps, and leverage private sector investments.

The Strategy highlights mechanisms for scaling-up financial and investment flows for low-carbon and/or climate resilient programs. This line of action's final result will be an increase of the Bank's lending resources on climate change operations. This goal will be achieved through two main tasks, namely:

I. Promoting access to international climate finance

Donor funding for adaptation and mitigation is available through more than 25 new international climate-specific instruments and other sources of finance supporting activities that may result in climate change adaptation and/or mitigation. These funds, mainly grants and concessional loans, provide opportunities to develop innovative investments and cover risks that traditional lending may not provide. However, due to the different eligibility criteria and targeting, and implementation rules, Bank clients require orientation and guidance to use these funds.

Specifically, the Action Plan will require a stronger Bank involvement in:

- Developing a coherent internal framework consisting of guidelines, criteria, and institutional coordination to promote access to, and use by Bank clients of various international climate financial resources;
- Designing the emerging international climate finance architecture, extending the Climate Investment Funds (CIF), and in developing new partnerships to leverage bilateral "fast track" climate funds for the region;
- Identifying and accessing bilateral and multi-donor climate finance "fast track" programs in the region for Bank implementation;
- Assessing opportunities to identify funding resources for adaptation under any financing instruments; and
- Promoting innovation through expert advice and pilot programs for carbon markets, to turn future carbon offset flows into an essential part of the financing options for projects, as well as regional harmonization of rules across regimes to promote liquidity and efficiency.

II. Strengthening the engagement of the private sector and scaling-up their investments

The Bank will continue to provide financial and technical support to regional private sector projects, directly or through local financial institutions, to meet climate investment needs.

In particular, the Bank will provide finance from its private sector windows and will support regulatory enabling environments for investments by:

- Supporting efforts to attract private investment into adaptation and mitigation;
- Providing large-scale financing to climate investments in areas such as renewable energy, energy efficiency, and equipment manufacturing;
- Developing and implementing Green Credit Lines in financial institutions in the region;
- Providing support (e.g. grants) to programs that seek to develop carbon value in micro, small, and medium enterprises and leverage the natural capital of its target beneficiaries; and
- Promoting equity investments that leverage resources from other actors seeking to work on climate-related areas, such as private foundations and private sector corporations.



IV. Institutional Support, Coordination and Implementation Phases

The implementation of the Action Plan relies on a coordinated effort between different areas of the Bank. Although the Climate Change and Sustainability Division has assumed much of the responsibility for the development of the Climate Change Strategy and its Action Plan, the responsibility to reach the Ninth General Capital Increase (GCI-9) lending targets and development indicators will be shared among various departments and divisions of the Bank.

In that regard, the Action Plan will expand climate change expertise and promote functional coordination throughout the Bank, through its Climate Change and Sustainability Division and an Inter-Departmental Climate Change Working Group that will guide and facilitate its implementation. This includes support for strategic issues, such as policy advice, country specific strategy, and programming, as well as for project design, monitoring, and evaluation. It will also provide capacity development in private sector operations in close collaboration with other private sector actors in the Bank Group.



The Action Plan will be implemented in three phases:

- **The first phase**, consolidation of the knowledge, capacities, and positioning process, 2012-2013, will place emphasis on knowledge and capacity building, and on mainstreaming climate change mitigation and adaptation in all aspects of the Bank's portfolio, building and expanding on gains already achieved.
- **The second phase**, scaling-up of climate investments, underlines the need of a substantial expansion of the public and private lending for climate change reduction efforts in key sectors, and on scaling-up private investments. Under this second phase, a major effort will be undertaken to optimize the use of existing international financial resources for climate change reduction efforts and to attract substantial financial resources to address climate issues in the region. This phase will be pursued in parallel with the first, but it is expected to start delivering results, in terms of additional finance, by 2014.
- **Under a third phase**, requiring a continued greening of the Bank portfolio, climate change actions will merge into a larger sustainability strategy that will include linkages between the proposed actions to address climate change and actions on biodiversity conservation, smart infrastructure development and sustainable water resources management, among others. This phase will serve to prepare the Bank for its longer term role in promoting a sustainable economy in the region beyond 2015.

The Bank will utilize its communication tools to convey its commitment to advancing the climate change agenda in the region. The Bank will design and implement communication activities to inform its external constituencies about efforts to mobilize their support to active engagement. Key audiences will include governmental institutions and policy makers in the Bank's member countries, the private sector, civil society (including NGOs and academia), bilateral donors, and other MDBs.

