**TC ABSTRACT**

**I. Basic Project Data**

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| ▪ Country/Region: | REGIONAL/IDB |
| ▪ TC Name: | Support for the Preparation of Energy Projects Aimed at Employment and Economic Recovery in Latin America and the Caribbean (LAC) |
| ▪ TC Number: | RG-T3725 |
| ▪ Team Leader/Members: | Bonzi, Augusto (INE/ENE) Team Leader; Alarcón, Arturo (INE/ENE); Ballón, Sergio (INE/ENE); Aiello, Roberto (INE/ENE); Márquez, Fidel (INE/ENE); Snyder, Virginia (INE/ENE); Johnson, Odile (INE/ENE). |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 27 May 2020 |
| ▪ Beneficiary: | Regional |
| ▪ Executing Agency: | Inter-American Development Bank |
| ▪ IDB funding requested: | US$1,400,000.00 |
| ▪ Local counterpart funding: | US$0.00 |
| ▪ Disbursement period: | 24 months |
| ▪ Types of consultants: | Firms; Individuals |
| ▪ Prepared by Unit: | INE/ENE - Energy |
| ▪ Unit of Disbursement Responsibility: | INE - Infrastructure and Energy Sector |
| ▪ TC included in Country Strategy (y/n): ▪ TC included in CPD (y/n): | No No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Productivity and innovation; Institutional capacity and rule of law |

**II. Objective and Justification**

2.1 The objective of this TC is to react quickly and with sufficient resources to ensure the Bank's standards in investment projects, reforms and special financing for development in the energy sector demanded by the countries to face the economic crisis caused by the COVID-19 pandemic; as well as contribute with the countries to design financing mechanisms for the recovery of employment in the sector within a sustainable development framework, including the development of productive linkages.

2.2 The revival of employment is presenting enormous challenges for countries in the context of budgetary redefinitions that have reduced fiscal space and temporarily suspended investment projects post-COVID-19. In some countries, the fiscal and economic stimuli already show its limitations on regaining employment, due to the fragile situation of many companies to qualify for loans from banks. The impact on the sector meant the reduction, and in some cases temporary elimination, of revenues in some electricity markets. Additionally, uncertainty remains on whether demand for services will recover. That is why it is necessary to design targeted interventions, with mechanisms to ensure that they arrive on time, with adequate measures, and sufficient resources to prevent the halt of operations in the sector, which could lead to further job losses and permanent effects on the provision of essential service for inclusion and development. On the other hand, the design of interventions by industry specialists presents an opportunity to maximize the potential for industry conversion, including the design of instruments to accelerate the incorporation of new technologies for sustainable development, inclusive service management and the potential to chain local suppliers in the revival of construction.

2.3 The economic recovery stage of COVID-19 will require a strong boost to investments with high employment impact, after reaching, in a short period of time, high levels of unemployment. The effect on the level of employment will depend to a large extent on promoting greater articulation between the activities to be financed for generating productive chains across the economy. The investment will have the desired impact on the creation of numerous jobs – directly and indirectly – to the extent that it is possible to increase the local production capacity of machinery and equipment required by the construction and operation of infrastructure. This can, in turn, further promote the development of new suppliers in the sector value chain and encourage tools for public utilities on measures to promote the social and gender inclusion and people with disabilities. In the energy sector, a recent report by the International Renewable Energy Agency (IRENA) has highlighted the transition to renewable energy (RE) is creating numerous employment opportunities and social economic benefits. In 2019, there were already more than 11 million people employed in RE, with a concentration in solar PV and biomass. Moreover, the RE sector has a better gender balance compared to the traditional hydrocarbon sector. Employment numbers in the renewable sector have been on upward trend and depending on the scenario selected it can more than triple by 2050. In addition, international experience suggests that infrastructure jobs often represent long-term and well-paid opportunities.

2.4 This is a regional operation that will be applicable and available to all eligible countries in LAC. It will finance preparatory activities and studies, including activities for structuring investment transactions in infrastructure and identifying projects not related to specific programs. Opportunities will also be sought to mobilize resources from other entities such as the private sector and other multilateral development institutions based on the Bank's commitment to participation, through the reimbursable modality.

**III. Description of Activities and Outputs**

3.1 **Component I. Preparation of Energy Infrastructure Project Studies.** This component will finance: (i) development and structuring of methodology for the selection of eligible projects, following a methodology to be agreed with the authorities of the beneficiary countries; (ii) studies, data collection, and technical work needed to structure projects to promote private sector investment; and (iii) development of consultancies for the study or structuring of projects in the sector.

3.2 **Component II. Design of specific interventions to reactivate employment in the sector.** This component will finance: (i) analysis of the sectoral and financial framework of subsectors (RE, institutional reforms, regional energy integration): (ii) data collection and design of performance indicators; (iii) consultancies and cross-country workshops to share good practices and international experience in crisis responses; and (iv) measures for the inclusion in the energy sector of persons at social risk and vulnerability, gender issues and persons with disabilities.

3.3 **Component III. Increase in use of clean technologies, productive value chains and productive efficiency.** Initiatives for the replacement of carbon intense generation fuels with options that are more climate friendly in the energy sector will be financed through: (i) market and potential studies; and (ii) new financing mechanisms and others.

3.4 **Component IV. Revision of the current regulatory framework to drive policy reforms.** This component will finance: (i) the revision of the current regulatory and institutional frameworks to propose adjustments in regulation and management model, market reforms, and improvements in public utility capabilities and efficiencies; and (ii) institutional strengthening activities, such as training workshops and visits to international experiences to promote dialogue for the revision of the regulatory framework and lessons learned from other countries.

**IV. Budget**

**Indicative Budget**

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| **Activity/Component** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Component I. Preparation of Energy Infrastructure Project Studies. | US$400.000,00 | US$0,00 | US$400.000,00 |
| Component II. Design of specific interventions to reactivate employment in the sector. | US$400.000,00 | US$0,00 | US$400.000,00 |
| Component III. Increase in use of clean technologies, productive value chains and productive efficiency. | US$300.000,00 | US$0,00 | US$300.000,00 |
| Component IV. Revision of the current regulatory framework to drive policy reforms. | US$300.000,00 | US$0,00 | US$300.000,00 |
| **Total** | **US$1.400.000.00** | **US$0,00** | **US$1,400,000.00** |

**V. Executing Agency and Execution Structure**

5.1 The Bank will be the Executing Agency (EA) of this operation.

5.2 The Bank will be the Executing Agency (EA) of this operation in accordance with Appendix 10 to the Operational Guidelines for Technical Cooperation Products (GN‑2629-1), considering the Bank's experience in the preparation and development of the operational and technical instruments proposed for this type of operations. The CT will be implemented in coordination with the beneficiary countries and agencies. INE/ENE will act as a Basic Responsibility Unit (UDR) and will be responsible for the procurement processes, which will allow the contracts developed under the CT to be timely and planned at the time of execution. The beneficiary may provide technical inputs to the terms of reference and reports of the consultants, but the Bank will have the autonomy to approve such documents and act as EA of the TC. This dynamic will facilitate a better articulation between the various actors within the framework of the technical dialogue of this TC.

**VI. Project Risks and Issues**

6.1 At this moment, there are no risks significant associated with this TC. A detailed risk analysis will be developed during elaboration of the TC Document.

**VII. Environmental and Social Classification**

7.1 The ESG classification for this operation is "undefined".