

Regional (RG-T3803)

Inter-American Development Bank

Component 1. Identification of potential resilience/restoration projects/programs in different sectors and design of pilot transactions (Legal Assessment)

CONSULTING FIRM

TERMS OF REFERENCE

1. Background

- 1.1 Natural hazards and climate change can affect the economy by destroying or damaging assets, increasing operation and maintenance costs, and reducing revenues and socioeconomic benefits. National and local governments, public utilities, private companies, in particular SMEs, are exposed to business continuity risks, while at the same time they are coping with aging and failing infrastructure systems that increase the potential of catastrophic losses.
- 1.2 The Latin American and Caribbean region is highly vulnerable to climate change impacts, due to its geography, climate, socioeconomic conditions and demographic factors. The region is the second-most disaster-prone region in the world (UN Office for Coordination Humanitarian Affairs, 2020). The effects of climate change are unevenly distributed, there is evidence of major impacts on agricultural activities, water resources, biodiversity and forests, tourism, the population's health and the region's cities (Magrin and others, 2014).¹
- 1.3 In 2015, the Caribbean experienced their highest number of floods (9) since 2006, twice the 2006-2015 annual average. Six of these nine floods occurred in Haiti in 2016 and 20 of 45 total during the years 2006-2015. In 2016, in the Caribbean, the 546 deaths caused by Hurricane Matthew in Haiti was far above the 2006-2015 annual average of 126 for the region. Likewise, in the same country, the 2016 drought affected 3.6 million people and 1 million were affected by a long-lasting drought in 2014 and 2015. In Central America, two million people were reported having been affected by droughts, a number higher than the 2006-2015 annual average (1.1 million). In South America, drought disasters affected 27 million people in 2014 in Brazil – with notably 22 million people in Sao Paulo living with only 5% of the city's water capacity².
- 1.4 According to a report by the UN Economic Commission for Latin America and the Caribbean (ECLAC)³, in a 2.5°C scenario, the economic costs of climate change are estimated at between 1.5% and 5% of the region's GDP by 2050. Furthermore, the very low penetration of insurance in the LAC economies at both public and private levels leaves governments and communities exposed to large financial shocks due to extreme weather events.
- 1.5 The current COVID-19 health crisis, and the ensuing economic crisis, is already straining governments' fiscal balances and reserves in LAC, leaving very little space for governments to face eventual climate-related disasters in the incoming future. To this

¹ Magrin, Graciela and others (2014), "Chapter 27. Central and South America", Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, V.R. Barros and others (eds.), Cambridge, Cambridge University Press.

² WRI, 2018. <https://www.wri.org/blog/2018/09/help-s-o-paulo-s-complex-water-woes-protect-and-restore-forests>

³ Samaniego, J. (2014). The economics of climate change in Latin America and the Caribbean: Paradoxes and challenges. Overview for 2014.

extent, the International Monetary Fund (IMF) has anticipated that will consider climate resilience a priority in the extension of stimuli and financial green economic recovery packages in the aftermath of the COVID-9 crisis⁴ and to manage future risks of both climate disasters and pandemics. For instance, it has been noted that by having sound water and sanitation systems and proper urban and coastal infrastructure avoiding habitat loss, over-exploitation, invasive species and managing changes to sea level, currents, temperature, and water chemistry can not only increase the value of natural capital ecosystems and protect local livelihoods but also protect local business (fisheries, food security, aquaculture, tourism, shipping, biotechnology). Moreover, it is estimated that nature-based solutions create 39.7 FTE jobs per \$1 million invested, or over 10 times the job creation rate of investments in fossil fuels⁵.

- 1.6 Public finance and international multilateral support will not be enough to support the economic recovery and to fund needed climate-resilient investments, with the need to attract capital from financial markets towards sustainable and resilient activities. However, financial instruments clearly designed and labeled to support resilient investments are still scarce – of the global green bond market (US\$190 billion issued in 2019 alone) only 3-5% of the bonds' proceeds have been clearly destined towards climate adaptation and resilience measures⁶.
- 1.7 Until now, the most advanced financial instruments for disaster risk management have been catastrophe bonds (Cat-bonds) which operate, after an event of disaster (ex post), by linking the occurrence of an extreme event and its intensity, with a payment structure that can be calculated parametrically and is not dependent on the physical losses suffered by the event. While key in providing financial resiliency to countries and institutions in the aftermath of an extreme event, Cat-bonds' impact on promoting disaster prevention and investments in resilient assets is more limited.
- 1.8 Differently, the focus of this operation will be towards those instruments that finance interventions before an event occurs (ex-ante), by channeling investments towards risk mitigation activities that, in turn, might reduce the cost of risk protection, and hence improving the sustainability of the assets. These resilience financial instruments – for example Resilience Bonds - may link project finance, conservation objectives, and risk mitigation to create resilient infrastructure systems with reduced expected losses from ecosystem degradation and/or extreme weather events. Therefore, resilience bonds can represent an innovative way to finance both risk mitigation and protection environmental degradation and natural disasters.
- 1.9 Resilience bonds are still in early stages of development and only a few cases have been piloted globally. So far – to public knowledge - no efforts have taken place in Latin America nor the Caribbean to explore the feasibility and impact of this tool. As there are no resilience bond programs in LAC, there is a lack of hard data and technical guidance. This can act as a barrier to the design of the bond and the governance behind it. Decision makers and investors require access to actionable information and knowledge that enables the formulation of policies and programs or projects supportive of the bond objectives.

⁴ IMF Managing Director's Opening Remarks at the Petersberg Climate Dialogue XI <https://www.imf.org/en/News/Articles/2020/04/29/sp042920-md-opening-remarks-at-petersberg-event>

⁵ Edwards, P.E.T. et al. (2013). Investing in nature: Restoring coastal habitat blue infrastructure and green job creation. <https://www.sciencedirect.com/science/article/pii/S0308597X12001182#bib15>.

⁶ CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf

- 1.10 On July 3rd 2020, the Pilot Program for Climate Resilience (PPCR) endorsed the “Building Resilience through Financial Instruments” Concept Note submitted by CSD/CCS. This TC builds on said Concept Note and further develops its content with the aim of submitting a project funding approval request to the PPCR once the TC has been approved in the Bank.
- 1.11 Accordingly, the TC is aligned to the PPCR objectives as the program aims to: (i) pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation by providing incentives for scaled-up action and initiating transformational change; (ii) strengthen capacities at the national levels to integrate climate resilience into development planning; (iii) scale-up and leverage climate resilient investment, building on other on-going initiatives; and (iv) enable learning-by-doing and sharing of lessons at country, regional and global levels.⁷
- 1.12 This TC will contribute towards the overarching objective of achieving sustainable growth stated in its Ninth General Capital Increase, in particular as it will contribute to improve infrastructure for competitiveness and social welfare as well as environmental protection, climate change, renewable energy and food security.
- 1.13 In accordance with the IDB Group’s Climate Change Action Plan 2021-2025, this TC will support early identification of climate risks and opportunities as it “is essential to (...) effectively incorporate climate change mitigation and adaptation opportunities, particularly resilience measures in response to climate-related risks, into project design”.
- 1.14 Moreover, this TC will also increase overall resources mobilization, promote technology adoption and innovation and mainstream climate change and environmental sustainability across the region in line with its Second Update of the Institutional Strategy (AB-3190-2). In addition, and in accordance with the same document, it is aligned with the development challenges of: (i) productivity and innovation, as it will assist borrowing member countries create climate smart solutions for adaptation and environmental sustainability; (ii) social inclusion and equality, as it will promote resilient infrastructure among those who are most vulnerable to climate change and (iii) economic integration, since the ultimate objective of the operation is to create resilient and climate-smart investments in different sectors, creating growth and development opportunities across the region. The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability, as it will support countries access finance for the development of adaptation projects in different sectors (energy, agriculture, forestry and other land use, natural resources management, biodiversity, and infrastructure, among others). In this sense, the operation also aligns with the IDB Group Corporate Results Framework, 2020-2023 (GN-2727-12).

2. Activities

- 2.1 Supporting public sector entities at national and subnational level (such as Ministries of Finance, Provinces, Municipalities and/or a State-owned entity) to identify resilience/restoration projects that can impact/improve climate sustainability of infrastructure, ecosystem services and/or tourism activities in LAC countries.

Note: Priority sectors for the identification of opportunities will include urban and coastal infrastructure (e.g., reef restoration, coastal protection, critical urban infrastructure); water and sanitation services in water-stressed areas (water catchment and conservation, climate-smart irrigation); biodiversity and natural ecosystem protection

⁷ <https://climatefundsupupdate.org/the-funds/pilot-program-for-climate-resilience-2/>.

(forestry preservation and canopy increase, animal species conservation); resilient agriculture and livestock management]. Sectors selected for which design and structure will be sought will depend on each region/country's own context and circumstances.

- 2.2 Providing legal opinion on the proposed transactions and preparing the legal documents according to applicable legal framework of the jurisdiction where the finance transactions (e.g., issuance of bonds) will take place. Legal documents include -but are not limited to- prospectus, subscription agreement, other agreements as required). When preparing the transaction documents, the legal advisor will ensure there are no legal barriers to the issuance (e.g., in the case of bonds, if the issuer has the power to issue bonds, that there are no borrowing restrictions, etc.) and provide any legal advice and additional documentation required for the issuance.

3. Deliverables

- 3.1. Legal opinion on the proposed resilience finance transaction.
- 3.2. Legal documents required for the issuance of resilience bonds or relevant for another specific financial instrument as described in 2.2.
- 3.3. The consultancy firm will deliver the following four outputs: inception report, two interim reports and a final report.
- 3.4. The inception report should include the general methodology, work plan and detailed timetable for the development of the consultancy. The inception report should be submitted within 30 calendar days from the signature of the contract.
- 3.5. The first interim report should include legal opinion of the proposed resilience finance transaction and the first draft of the legal documents described in 2.2 This report should be submitted within 90 calendar days from the signature of the contract.
- 3.6. The second interim report should include the second versions of the legal opinion and all legal documents required for the issuance of resilience bonds as described in 2.2. They both should include IDB's feedback sent to the consultancy firm after the delivery of the first interim report. The second interim report should be submitted within 180 calendar days from the signature of the contract.
- 3.7. The final report, including the final version of the technical assessment and 'package' The final report should be submitted within 270 calendar days from the signature of the contract.

Note: All reports are expected in English and will be delivered as follows: i) the relevant electronic files in MS Word, Excel, or other application acceptable to the IDB (must include all annexes and appendices), and ii) an electronic PDF file for each full report. These reports and electronic files should be delivered to the project supervisors within the time limits mentioned above.

4. Payment schedule

The consultancy includes consulting fees, fares, tolls, taxes and any other costs or expenses necessary for the development of the consultancy, to be paid as follows:

- i. 20% upon signing the contract and approval of the inception report by the IDB.
- ii. 40% upon delivery and approval of the two interims report by the IDB.
- iii. 40% upon delivery and approval of the final report.

5. Qualifications of the contractual

The consultant team must demonstrate qualifications and experience in the following areas:

- i. University degree in law with specialization on project finance, corporate law, banking, securities with at least ten years of demonstrated professional experience in project finance with knowledge on climate change and adaptation projects. Master's degree would be an asset.
- ii. Languages: Fluency in English and Spanish.
- iii. Areas of specific expertise: (a) project finance; (b) banking (c) securities law (d) corporate law (e) basic knowledge of mitigation and adaptation; (f) LAC environmental policy; (g) project identification; (h) bonds issuance; (i) rigorous quantitative/qualitative research methods.
- iv. Skills: (a) familiarity with finance and climate change (b) excellent communication skills, both written and oral; (c) proven ability to communicate complex concepts and prepare reports that are clear, concise and meaningful; (d) ability to apply theory to the specific policy context to identify creative, practical approaches to overcome challenging situations.

6. Characteristics of the Consultancy

- i. Consultancy category and modality: Simplified competitive selection
- ii. Contract duration: nine (9) months
- iii. Place(s) of work: External consultancy
- iv. Division Leader or Coordinator: Gianleo Frisari, CSD/CCS

7. Payment and Conditions

Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDBG member country.

8. References

CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf.

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Regional (RG-T3803)

Inter-American Development Bank

Component 1. Identification of potential resilience/restoration projects/programs in different sectors and design of pilot transactions (Technical Assessment)

CONSULTING FIRM

TERMS OF REFERENCE

1. Background

- 1.1 Natural hazards and climate change can affect the economy by destroying or damaging assets, increasing operation and maintenance costs, and reducing revenues and socioeconomic benefits. National and local governments, public utilities, private companies, in particular SMEs, are exposed to business continuity risks, while at the same time they are coping with aging and failing infrastructure systems that increase the potential of catastrophic losses.
- 1.2 The Latin American and Caribbean region is highly vulnerable to climate change impacts, due to its geography, climate, socioeconomic conditions and demographic factors. The region is the second-most disaster-prone region in the world (UN Office for Coordination Humanitarian Affairs, 2020). The effects of climate change are unevenly distributed, there is evidence of major impacts on agricultural activities, water resources, biodiversity and forests, tourism, the population's health and the region's cities (Magrin and others, 2014).⁸
- 1.3 In 2015, the Caribbean experienced their highest number of floods (9) since 2006, twice the 2006-2015 annual average. Six of these nine floods occurred in Haiti in 2016 and 20 of 45 total during the years 2006-2015. In 2016, in the Caribbean, the 546 deaths caused by Hurricane Matthew in Haiti was far above the 2006-2015 annual average of 126 for the region. Likewise, in the same country, the 2016 drought affected 3.6 million people and 1 million were affected by a long-lasting drought in 2014 and 2015. In Central America, two million people were reported having been affected by droughts, a number higher than the 2006-2015 annual average (1.1 million). In South America, drought disasters affected 27 million people in 2014 in Brazil – with notably 22 million people in Sao Paulo living with only 5% of the city's water capacity⁹.
- 1.4 According to a report by the UN Economic Commission for Latin America and the Caribbean (ECLAC) ¹⁰, in a 2.5°C scenario, the economic costs of climate change are estimated at between 1.5% and 5% of the region's GDP by 2050. Furthermore, the very low penetration of insurance in the LAC economies at both public and private levels leaves governments and communities exposed to large financial shocks due to extreme weather events.
- 1.5 The current COVID-19 health crisis, and the ensuing economic crisis, is already straining governments' fiscal balances and reserves in LAC, leaving very little space for

⁸ Magrin, Graciela and others (2014), "Chapter 27. Central and South America", Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, V.R. Barros and others (eds.), Cambridge, Cambridge University Press.

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¹⁰ Samaniego, J. (2014). The economics of climate change in Latin America and the Caribbean: Paradoxes and challenges. Overview for 2014.

governments to face eventual climate-related disasters in the incoming future. To this extent, the International Monetary Fund (IMF) has anticipated that will consider climate resilience a priority in the extension of stimuli and financial green economic recovery packages in the aftermath of the COVID-9 crisis¹¹ and to manage future risks of both climate disasters and pandemics. For instance, it has been noted that by having sound water and sanitation systems and proper urban and coastal infrastructure avoiding habitat loss, over-exploitation, invasive species and managing changes to sea level, currents, temperature, and water chemistry can not only increase the value of natural capital ecosystems and protect local livelihoods but also protect local business (fisheries, food security, aquaculture, tourism, shipping, biotechnology). Moreover, it is estimated that nature-based solutions create 39.7 FTE jobs per \$1 million invested, or over 10 times the job creation rate of investments in fossil fuels¹².

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- 1.9 Resilience bonds are still in early stages of development and only a few cases have been piloted globally. So far – to public knowledge - no efforts have taken place in Latin America nor the Caribbean to explore the feasibility and impact of this tool. As there are no resilience bond programs in LAC, there is a lack of hard data and technical guidance. This can act as a barrier to the design of the bond and the governance behind it. Decision makers and investors require access to actionable information and knowledge that

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¹³ CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf

enables the formulation of policies and programs or projects supportive of the bond objectives.

- 1.10 On July 3rd, 2020, the Pilot Program for Climate Resilience (PPCR) endorsed the “Building Resilience through Financial Instruments” Concept Note submitted by CSD/CCS. This TC builds on said Concept Note and further develops its content with the aim of submitting a project funding approval request to the PPCR once the TC has been approved in the Bank.
- 1.11 Accordingly, the TC is aligned to the PPCR objectives as the program aims to: (i) pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation by providing incentives for scaled-up action and initiating transformational change; (ii) strengthen capacities at the national levels to integrate climate resilience into development planning; (iii) scale-up and leverage climate resilient investment, building on other on-going initiatives; and (iv) enable learning-by-doing and sharing of lessons at country, regional and global levels¹⁴.
- 1.12 This TC will contribute towards the overarching objective of achieving sustainable growth stated in its Ninth General Capital Increase, in particular as it will contribute to improve infrastructure for competitiveness and social welfare as well as environmental protection, climate change, renewable energy and food security.
- 1.13 In accordance with the IDB Group’s Climate Change Action Plan 2021-2025, this TC will support early identification of climate risks and opportunities as it “is essential to (...) effectively incorporate climate change mitigation and adaptation opportunities, particularly resilience measures in response to climate-related risks, into project design”.
- 1.14 Moreover, this TC will also increase overall resources mobilization, promote technology adoption and innovation and mainstream climate change and environmental sustainability across the region in line with its Second Update of the Institutional Strategy (AB-3190-2). In addition, and in accordance with the same document, it is aligned with the development challenges of: (i) productivity and innovation, as it will assist borrowing member countries create climate smart solutions for adaptation and environmental sustainability; (ii) social inclusion and equality, as it will promote resilient infrastructure among those who are most vulnerable to climate change and (iii) economic integration, since the ultimate objective of the operation is to create resilient and climate-smart investments in different sectors, creating growth and development opportunities across the region. The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability, as it will support countries access finance for the development of adaptation projects in different sectors (energy, agriculture, forestry and other land use, natural resources management, biodiversity, and infrastructure, among others). In this sense, the operation also aligns with the IDB Group Corporate Results Framework, 2020-2023 (GN-2727-12).

2 Activities

- 2.1 Supporting public sector entities at national and subnational level (such as Ministries of Finance, Provinces, Municipalities and/or a State-owned entity) to identify resilience/restoration projects that can impact/improve climate sustainability of infrastructure, ecosystem services and/or tourism activities in LAC countries.
- 2.2 Designing, structuring and piloting financial instruments (such as resilient bond, swaps and insurance-linked products) for the mobilization or investment capital for their

¹⁴ <https://climatefundsupdate.org/the-funds/pilot-program-for-climate-resilience-2/>.

financing. The structuring process will include the identification of metrics for measuring and reporting resilience impacts; external verification (when required by market's best practices); marketing material to support investors' engagement.

Note: Priority sectors for the identification of opportunities will include urban and coastal infrastructure (e.g., reef restoration, coastal protection, critical urban infrastructure); water and sanitation services in water-stressed areas (water catchment and conservation, climate-smart irrigation); biodiversity and natural ecosystem protection (forestry preservation and canopy increase, animal species conservation); resilient agriculture and livestock management]. Sectors selected for which design and structure will be sought will depend on each region/country's own context and circumstances.

3 Deliverables

- 3.1 Technical Assessment identifying resilience/restoration pipelines/projects/programs/ and the finance transactions suitable to fund them (particularly resilience bonds), including their feasibility in the country/region selected.
- 3.2 Preparation of 'package' for the potential issuance of resilience bonds including all financial documents required following CBI's Climate Resilience Principles and any applicable metrics for measuring and reporting resilience impacts, appraisal of the pipelines/projects/programs proposed by an independent agency/reviewer and marketing material to support investors' engagement.
- 3.3 The consultancy firm will deliver the following four outputs: inception report, two interim reports and a final report.
- 3.4 The inception report should include the general methodology, work plan and detailed timetable for the development of the consultancy. The inception report should be submitted within 30 calendar days from the signature of the contract.
- 3.5 The first interim report should include the identification of potential pipelines/projects/programs/ and suitable finance transactions as described in 3.1 and the first draft of the 'package' described in 3.2. The first interim report should be submitted within 90 calendar days from the signature of the contract.
- 3.6 The second interim report should include the second versions of the technical assessment described in 3.1 and the 'package' described in 3.2. They both should include IDB's feedback sent to the consultancy firm after the delivery of the first interim report. The second interim report should be submitted within 180 calendar days from the signature of the contract.
- 3.7 The final report, including the final version of the technical assessment and 'package'. The final report should be submitted within 270 calendar days from the signature of the contract.

Note: All reports are expected in English and will be delivered as follows: i) the relevant electronic files in MS Word, Excel, or other application acceptable to the IDB (must include all annexes and appendices), and ii) an electronic PDF file for each full report. These reports and electronic files should be delivered to the project supervisors within the time limits mentioned above.

4 Payment Schedule

The consultancy includes consulting fees, fares, tolls, taxes and any other costs or expenses necessary for the development of the consultancy, to be paid as follows:

- i. 10% upon signing the contract and approval of the inception report by the IDB.
- ii. 50% upon delivery and approval of the two interim reports by the IDB.
- iii. 40% upon delivery and approval of the final report.

5 Qualifications of the contractual

The consultant team must demonstrate qualifications and experience in the following areas:

- i. University degree in economy, finance, business management, international business, or any related discipline with at least seven years of demonstrated professional experience in project finance with knowledge on climate change adaptation projects. Master's degree would be an asset.
- ii. Languages: Fluency in English and Spanish.
- iii. Areas of specific expertise: (a) project finance; (b) climate change mitigation and adaptation; (c) LAC environmental policy; (d) project identification; (e) bonds issuance; (f) rigorous quantitative/qualitative research methods.
- iv. Skills: (a) familiarity with finance and climate change (b) excellent communication skills, both written and oral; (c) proven ability to communicate complex concepts and prepare reports that are clear, concise and meaningful; (d) ability to apply theory to the specific policy context to identify creative, practical approaches to overcome challenging situations.

6 Characteristics of the Consultancy

- i. Consultancy category and modality: Simplified competitive selection
- ii. Contract duration: nine (9) months
- iii. Place(s) of work: External consultancy
- iv. Division Leader or Coordinator: Gianleo Frisari, CSD/CCS

7 Payment and Conditions

Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDBG member country.

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Regional (RG-T3803)

Inter-American Development Bank

Component 2: Capacity building, raising awareness and mainstreaming Climate Resilience (Knowledge Material: Translation, Guidelines – Case Studies)

CONSULTING FIRM

TERMS OF REFERENCE

1. Background

- 1.1 Natural hazards and climate change can affect the economy by destroying or damaging assets, increasing operation and maintenance costs, and reducing revenues and socioeconomic benefits. National and local governments, public utilities, private companies, in particular SMEs, are exposed to business continuity risks, while at the same time they are coping with aging and failing infrastructure systems that increase the potential of catastrophic losses.
- 1.2 The Latin American and Caribbean region is highly vulnerable to climate change impacts, due to its geography, climate, socioeconomic conditions and demographic factors. The region is the second-most disaster-prone region in the world (UN Office for Coordination Humanitarian Affairs, 2020). The effects of climate change are unevenly distributed, there is evidence of major impacts on agricultural activities, water resources, biodiversity and forests, tourism, the population's health and the region's cities (Magrin and others, 2014).¹⁵
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¹⁵ Magrin, Graciela and others (2014), "Chapter 27. Central and South America", Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, V.R. Barros and others (eds.), Cambridge, Cambridge University Press.

¹⁶ WRI, 2018. <https://www.wri.org/blog/2018/09/help-s-o-paulo-s-complex-water-woes-protect-and-restore-forests>

¹⁷ Samaniego, J. (2014). The economics of climate change in Latin America and the Caribbean: Paradoxes and challenges. Overview for 2014.

extent, the International Monetary Fund (IMF) has anticipated that will consider climate resilience a priority in the extension of stimuli and financial green economic recovery packages in the aftermath of the COVID-9 crisis¹⁸ and to manage future risks of both climate disasters and pandemics. For instance, it has been noted that by having sound water and sanitation systems and proper urban and coastal infrastructure avoiding habitat loss, over-exploitation, invasive species and managing changes to sea level, currents, temperature, and water chemistry can not only increase the value of natural capital ecosystems and protect local livelihoods but also protect local business (fisheries, food security, aquaculture, tourism, shipping, biotechnology). Moreover, it is estimated that nature-based solutions create 39.7 FTE jobs per \$1 million invested, or over 10 times the job creation rate of investments in fossil fuels¹⁹.

- 1.6 Public finance and international multilateral support will not be enough to support the economic recovery and to fund needed climate-resilient investments, with the need to attract capital from financial markets towards sustainable and resilient activities. However, financial instruments clearly designed and labeled to support resilient investments are still scarce – of the global green bond market (US\$190 billion issued in 2019 alone) only 3-5% of the bonds' proceeds have been clearly destined towards climate adaptation and resilience measures.²⁰
- 1.7 Until now, the most advanced financial instruments for disaster risk management have been catastrophe bonds (Cat-bonds) which operate, after an event of disaster (ex post), by linking the occurrence of an extreme event and its intensity, with a payment structure that can be calculated parametrically and is not dependent on the physical losses suffered by the event. While key in providing financial resiliency to countries and institutions in the aftermath of an extreme event, Cat-bonds' impact on promoting disaster prevention and investments in resilient assets is more limited.
- 1.8 Differently, the focus of this operation will be towards those instruments that finance interventions before an event occurs (ex-ante), by channeling investments towards risk mitigation activities that, in turn, might reduce the cost of risk protection, and hence improving the sustainability of the assets. These resilience financial instruments – for example Resilience Bonds - may link project finance, conservation objectives, and risk mitigation to create resilient infrastructure systems with reduced expected losses from ecosystem degradation and/or extreme weather events. Therefore, resilience bonds can represent an innovative way to finance both risk mitigation and protection environmental degradation and natural disasters.
- 1.9 Resilience bonds are still in early stages of development and only a few cases have been piloted globally. So far – to public knowledge - no efforts have taken place in Latin America nor the Caribbean to explore the feasibility and impact of this tool. As there are no resilience bond programs in LAC, there is a lack of hard data and technical guidance. This can act as a barrier to the design of the bond and the governance behind it. Decision makers and investors require access to actionable information and knowledge that enables the formulation of policies and programs or projects supportive of the bond objectives.

¹⁸ IMF Managing Director's Opening Remarks at the Petersberg Climate Dialogue XI <https://www.imf.org/en/News/Articles/2020/04/29/sp042920-md-opening-remarks-at-petersberg-event>

¹⁹ Edwards, P.E.T. et al. (2013). Investing in nature: Restoring coastal habitat blue infrastructure and green job creation. <https://www.sciencedirect.com/science/article/pii/S0308597X12001182#bib15>.

²⁰ CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf

- 1.10 On July 3rd 2020, the Pilot Program for Climate Resilience (PPCR) endorsed the “Building Resilience through Financial Instruments” Concept Note submitted by CSD/CCS. This TC builds on said Concept Note and further develops its content with the aim of submitting a project funding approval request to the PPCR once the TC has been approved in the Bank.
- 1.11 Accordingly, the TC is aligned to the PPCR objectives as the program aims to: (i) pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation by providing incentives for scaled-up action and initiating transformational change; (ii) strengthen capacities at the national levels to integrate climate resilience into development planning; (iii) scale-up and leverage climate resilient investment, building on other on-going initiatives; and (iv) enable learning-by-doing and sharing of lessons at country, regional and global levels.²¹
- 1.12 This TC will contribute towards the overarching objective of achieving sustainable growth stated in its Ninth General Capital Increase, in particular as it will contribute to improve infrastructure for competitiveness and social welfare as well as environmental protection, climate change, renewable energy and food security.
- 1.13 In accordance with the IDB Group’s Climate Change Action Plan 2021-2025, this TC will support early identification of climate risks and opportunities as it “is essential to (...) effectively incorporate climate change mitigation and adaptation opportunities, particularly resilience measures in response to climate-related risks, into project design”.
- 1.14 Moreover, this TC will also increase overall resources mobilization, promote technology adoption and innovation and mainstream climate change and environmental sustainability across the region in line with its Second Update of the Institutional Strategy (AB-3190-2). In addition, and in accordance with the same document, it is aligned with the development challenges of: (i) productivity and innovation, as it will assist borrowing member countries create climate smart solutions for adaptation and environmental sustainability; (ii) social inclusion and equality, as it will promote resilient infrastructure among those who are most vulnerable to climate change and (iii) economic integration, since the ultimate objective of the operation is to create resilient and climate-smart investments in different sectors, creating growth and development opportunities across the region. The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability, as it will support countries access finance for the development of adaptation projects in different sectors (energy, agriculture, forestry and other land use, natural resources management, biodiversity, and infrastructure, among others). In this sense, the operation also aligns with the IDB Group Corporate Results Framework, 2020-2023 (GN-2727-12).

2. Activities

- 2.1 Supporting the replication of pilot transactions in other LAC countries and creating capacities through **knowledge materials/guidelines** on resilience bonds for the region. These will include dissemination of recently launched principles, taxonomies launched and standards for resiliency, such as the Sendai Framework with Disaster Risk Reduction, the IDB Adaptation Taxonomy and the general requirements needed for the structuring of instruments for resilience including issuance on resilience bonds and how to report on their impact.

²¹ <https://climatefundsupupdate.org/the-funds/pilot-program-for-climate-resilience-2/>.

3. Deliverables

- 3.1 CBI's Climate Resilience Principles and/or EU Taxonomy translated to Spanish, or any other technical document deemed relevant for the TC and previously agreed with IDB.
- 3.2 Podcasts in Spanish on relevant issues for resilience finance as a means of capacity building.
- 3.3 Diagnosis on climate resilience bonds including i) case studies on resilience bonds/other financial instruments issued globally to show best practices/examples that could be used as reference in the region and ii) a step-by-step guideline to issue resilience bonds taking into account technical and legal requirements.
- 3.4 The consultancy firm will deliver the following four outputs: inception report, two interim reports and a final report.
- 3.5 The inception report should include the general methodology, work plan and detailed timetable for the development of the consultancy. The inception report should be submitted within 30 calendar days from the signature of the contract.
- 3.6 The first interim report should include the EU taxonomy translated to Spanish and the first draft of the Diagnosis on climate change and the step-by-step guideline as described in 3.2. They should be submitted within 90 calendar days from the signature of the contract.
- 3.7 The second interim report should include the final version of the EU taxonomy translated to Spanish and the second draft of the Diagnosis on climate change and the step-by-step guideline as described in 3.2. The second interim report should be submitted within 180 calendar days from the signature of the contract.
- 3.8 The final report should include the final version of the Diagnosis and guideline and should be submitted within 270 calendar days from the signature of the contract.

Note: All reports are expected in English and will be delivered as follows: i) the relevant electronic files in MS Word, Excel, or other application acceptable to the IDB (must include all annexes and appendices), and ii) an electronic PDF file for each full report. These reports and electronic files should be delivered to the project supervisors within the time limits mentioned above.

4. Payment schedule

The consultancy includes consulting fees, fares, tolls, taxes and any other costs or expenses necessary for the development of the consultancy, to be paid as follows:

- 20% upon signing the contract and approval of the inception report by the IDB.
- 40% upon delivery and approval of the two interims report by the IDB.
- 40% upon delivery and approval of the final report.

5. Qualifications of the contractual

The consultant team must demonstrate qualifications and experience in the following areas:

- i. University degree in finance, banking, public relations, communications and/or management and at least seven years of demonstrated professional experience in workshops/training sessions organization with knowledge on climate change and adaptation projects. Master's degree would be an asset.

- ii. Languages: Fluency in English and Spanish.
- iii. Areas of specific expertise: (a) project finance; (b) banking; (c) bonds issuance; (d) mitigation and adaptation; (e) LAC environmental policy; and (f) rigorous quantitative/qualitative research methods.
- iv. Skills: (a) familiarity with finance and climate change; (b) excellent communication skills; both written and oral; (c) proven ability to communicate complex concepts and prepare reports that are clear, concise and meaningful; and (d) ability to apply theory to the specific policy context to identify creative, practical approaches to overcome challenging situations.

6. Characteristics of the Consultancy

- i. Consultancy category and modality: Simplified competitive selection
- ii. Contract duration: six (6) months
- iii. Place(s) of work: External consultancy
- iv. Division Leader or Coordinator: Gianleo Frisari, CSD/CCS

7. Payment and Conditions

Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDBG member country.

8. References

CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf.

Edwards, P.E.T. et al. (2013). Investing in nature: Restoring coastal habitat blue infrastructure and green job creation, available at: <https://www.sciencedirect.com/science/article/pii/S0308597X12001182#bib15>.

IMF Managing Director's Opening Remarks at the Petersberg Climate Dialogue XI <https://www.imf.org/en/News/Articles/2020/04/29/sp042920-md-opening-remarks-at-petersberg-event>

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Regional (RG-T3803)

Inter-American Development Bank

Component 2: Capacity building, raising awareness and mainstreaming Climate Resilience (Training Sessions)

CONSULTING FIRM

TERMS OF REFERENCE

1. Background

- 1.1 Natural hazards and climate change can affect the economy by destroying or damaging assets, increasing operation and maintenance costs, and reducing revenues and socioeconomic benefits. National and local governments, public utilities, private companies, in particular SMEs, are exposed to business continuity risks, while at the same time they are coping with aging and failing infrastructure systems that increase the potential of catastrophic losses.
- 1.2 The Latin American and Caribbean region is highly vulnerable to climate change impacts, due to its geography, climate, socioeconomic conditions and demographic factors. The region is the second-most disaster-prone region in the world (UN Office for Coordination Humanitarian Affairs, 2020). The effects of climate change are unevenly distributed, there is evidence of major impacts on agricultural activities, water resources, biodiversity and forests, tourism, the population's health and the region's cities (Magrin and others, 2014).²²
- 1.3 In 2015, the Caribbean experienced their highest number of floods (9) since 2006, twice the 2006-2015 annual average. Six of these nine floods occurred in Haiti in 2016 and 20 of 45 total during the years 2006-2015. In 2016, in the Caribbean, the 546 deaths caused by Hurricane Matthew in Haiti was far above the 2006-2015 annual average of 126 for the region. Likewise, in the same country, the 2016 drought affected 3.6 million people and 1 million were affected by a long-lasting drought in 2014 and 2015. In Central America, two million people were reported having been affected by droughts, a number higher than the 2006-2015 annual average (1.1 million). In South America, drought disasters affected 27 million people in 2014 in Brazil – with notably 22 million people in Sao Paulo living with only 5% of the city's water capacity²³.
- 1.4 According to a report by the UN Economic Commission for Latin America and the Caribbean (ECLAC)²⁴, in a 2.5°C scenario, the economic costs of climate change are estimated at between 1.5% and 5% of the region's GDP by 2050. Furthermore, the very low penetration of insurance in the LAC economies at both public and private levels leaves governments and communities exposed to large financial shocks due to extreme weather events.
- 1.5 The current COVID-19 health crisis, and the ensuing economic crisis, is already straining governments' fiscal balances and reserves in LAC, leaving very little space for

²² Magrin, Graciela and others (2014), "Chapter 27. Central and South America", Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, V.R. Barros and others (eds.), Cambridge, Cambridge University Press.

²³ WRI, 2018. <https://www.wri.org/blog/2018/09/help-s-o-paulo-s-complex-water-woes-protect-and-restore-forests>

²⁴ Samaniego, J. (2014). The economics of climate change in Latin America and the Caribbean: Paradoxes and challenges. Overview for 2014.

governments to face eventual climate-related disasters in the incoming future. To this extent, the International Monetary Fund (IMF) has anticipated that will consider climate resilience a priority in the extension of stimuli and financial green economic recovery packages in the aftermath of the COVID-9 crisis²⁵ and to manage future risks of both climate disasters and pandemics. For instance, it has been noted that by having sound water and sanitation systems and proper urban and coastal infrastructure avoiding habitat loss, over-exploitation, invasive species and managing changes to sea level, currents, temperature, and water chemistry can not only increase the value of natural capital ecosystems and protect local livelihoods but also protect local business (fisheries, food security, aquaculture, tourism, shipping, biotechnology). Moreover, it is estimated that nature-based solutions create 39.7 FTE jobs per \$1 million invested, or over 10 times the job creation rate of investments in fossil fuels.²⁶

- 1.6 Public finance and international multilateral support will not be enough to support the economic recovery and to fund needed climate-resilient investments, with the need to attract capital from financial markets towards sustainable and resilient activities. However, financial instruments clearly designed and labeled to support resilient investments are still scarce – of the global green bond market (US\$190 billion issued in 2019 alone) only 3-5% of the bonds' proceeds have been clearly destined towards climate adaptation and resilience measures.²⁷
- 1.7 Until now, the most advanced financial instruments for disaster risk management have been catastrophe bonds (Cat-bonds) which operate, after an event of disaster (ex post), by linking the occurrence of an extreme event and its intensity, with a payment structure that can be calculated parametrically and is not dependent on the physical losses suffered by the event. While key in providing financial resiliency to countries and institutions in the aftermath of an extreme event, Cat-bonds' impact on promoting disaster prevention and investments in resilient assets is more limited.
- 1.8 Differently, the focus of this operation will be towards those instruments that finance interventions before an event occurs (ex-ante), by channeling investments towards risk mitigation activities that, in turn, might reduce the cost of risk protection, and hence improving the sustainability of the assets. These resilience financial instruments – for example Resilience Bonds - may link project finance, conservation objectives, and risk mitigation to create resilient infrastructure systems with reduced expected losses from ecosystem degradation and/or extreme weather events. Therefore, resilience bonds can represent an innovative way to finance both risk mitigation and protection environmental degradation and natural disasters.
- 1.9 Resilience bonds are still in early stages of development and only a few cases have been piloted globally. So far – to public knowledge - no efforts have taken place in Latin America nor the Caribbean to explore the feasibility and impact of this tool. As there are no resilience bond programs in LAC, there is a lack of hard data and technical guidance. This can act as a barrier to the design of the bond and the governance behind it. Decision makers and investors require access to actionable information and knowledge that

²⁵ IMF Managing Director's Opening Remarks at the Petersberg Climate Dialogue XI

<https://www.imf.org/en/News/Articles/2020/04/29/sp042920-md-opening-remarks-at-petersberg-event>

²⁶ Edwards, P.E.T. et al. (2013). Investing in nature: Restoring coastal habitat blue infrastructure and green job creation. <https://www.sciencedirect.com/science/article/pii/S0308597X12001182#bib15>.

²⁷ CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf

enables the formulation of policies and programs or projects supportive of the bond objectives.

- 1.10 On July 3rd 2020, the Pilot Program for Climate Resilience (PPCR) endorsed the “Building Resilience through Financial Instruments” Concept Note submitted by CSD/CCS. This TC builds on said Concept Note and further develops its content with the aim of submitting a project funding approval request to the PPCR once the TC has been approved in the Bank.
- 1.11 Accordingly, the TC is aligned to the PPCR objectives as the program aims to: (i) pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation by providing incentives for scaled-up action and initiating transformational change; (ii) strengthen capacities at the national levels to integrate climate resilience into development planning; (iii) scale-up and leverage climate resilient investment, building on other on-going initiatives; and (iv) enable learning-by-doing and sharing of lessons at country, regional and global levels.²⁸
- 1.12 This TC will contribute towards the overarching objective of achieving sustainable growth stated in its Ninth General Capital Increase, in particular as it will contribute to improve infrastructure for competitiveness and social welfare as well as environmental protection, climate change, renewable energy and food security.
- 1.13 In accordance with the IDB Group’s Climate Change Action Plan 2021-2025, this TC will support early identification of climate risks and opportunities as it “is essential to (...) effectively incorporate climate change mitigation and adaptation opportunities, particularly resilience measures in response to climate-related risks, into project design”.
- 1.14 Moreover, this TC will also increase overall resources mobilization, promote technology adoption and innovation and mainstream climate change and environmental sustainability across the region in line with its Second Update of the Institutional Strategy (AB-3190-2). In addition, and in accordance with the same document, it is aligned with the development challenges of: (i) productivity and innovation, as it will assist borrowing member countries create climate smart solutions for adaptation and environmental sustainability; (ii) social inclusion and equality, as it will promote resilient infrastructure among those who are most vulnerable to climate change and (iii) economic integration, since the ultimate objective of the operation is to create resilient and climate-smart investments in different sectors, creating growth and development opportunities across the region. The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability, as it will support countries access finance for the development of adaptation projects in different sectors (energy, agriculture, forestry and other land use, natural resources management, biodiversity, and infrastructure, among others). In this sense, the operation also aligns with the IDB Group Corporate Results Framework, 2020-2023 (GN-2727-12).

2. Activities

- 2.1 Supporting the replication of pilot transactions in other LAC countries through a **training program** for the region. This program will be either presential or virtual format to support awareness about the potential for such instruments and create capacities in the region to identify suitable pipelines, originate structuring processes, and develop appropriate financial instruments. The awareness raising will take into account the alignment of these instruments with the newly launched Climate Resilience Principles for Green

²⁸ <https://climatefundsupdate.org/the-funds/pilot-program-for-climate-resilience-2/>.

Bonds, and other existing taxonomies and standards for resiliency, such as the Sendai Framework with Disaster Risk Reduction and the IDB Adaptation Taxonomy and the general requirements needed for the structuring of these instruments, for their issuance, and how to report on their impact.

3. Deliverables

- 3.1 Development and implementation of at least [number of sessions] training sessions/workshops for [country/region] to raise awareness on the potential of financial instruments (particularly resilience bonds) to support resilience/restoration project or programs in accordance with 2.1 above.
- 3.2 The consultancy firm will deliver the following three outputs per country/region where the TC will take place: inception report, workshop/training sessions report and final report.
- 3.3 The inception report should include the general methodology, work plan and detailed timetable for the development of the consultancy. The inception report should be submitted within 30 calendar days from the signature of the contract.
- 3.4 The report on the workshops/training sessions will include all relevant information regarding content, places where they took place, list of participants, issues discussed, presentations, speakers invited, etc. The report should be submitted within 90 calendar days from the signature of the contract.
- 3.5 The final report will add-on on the report described in 3.4 and should include main findings and concerns of countries regarding the use of financial instruments to address climate change resilience and any other information/data deemed appropriate. The report should be submitted within 180 calendar days from the signature of the contract.

Note: All reports are expected in English and will be delivered as follows: i) the relevant electronic files in MS Word, Excel, or other application acceptable to the IDB (must include all annexes and appendices), and ii) an electronic PDF file for each full report. These reports and electronic files should be delivered to the project supervisors within the time limits mentioned above.

4. Payment schedule

The consultancy includes consulting fees, fares, tolls, taxes and any other costs or expenses necessary for the development of the consultancy, to be paid as follows:

- i. 20% upon signing the contract and approval of the inception report by the IDB.
- ii. 40% upon delivery and approval of the report on the workshops/training sessions.
- iii. 40% upon delivery and approval of the final report.

5. Qualifications of the contractual

The consultant team must demonstrate qualifications and experience in the following areas:

- i. University degree in communications, marketing, public relations or management with specialization on stakeholder engagement and at least five years of demonstrated professional experience in workshops/training sessions organization with knowledge on climate change and adaptation projects. Master's degree would be an asset.

- ii. Languages: Fluency in English and Spanish.
- iii. Areas of specific expertise: (a) communications; (b) marketing; (c) public relations; (d) management; (e) stakeholder engagement; (f) basic knowledge of mitigation and adaptation; (g) LAC environmental policy; rigorous quantitative/qualitative research methods.
- iv. Skills: (a) familiarity with finance climate change (b) excellent communication skills, both written and oral; (c) proven ability to communicate complex concepts and prepare reports that are clear, concise and meaningful; (d) ability to apply theory to the specific policy context to identify creative, practical approaches to overcome challenging situations.

6. Characteristics of the Consultancy

- i. Consultancy category and modality: Single source selection
- ii. Contract duration: six (6) months
- iii. Place(s) of work: External consultancy
- iv. Division Leader or Coordinator: Gianleo Frisari, CSD/CCS

7. Payment and Conditions

Compensation will be determined in accordance with Bank's policies and procedures. In addition, candidates must be citizens of an IDBG member country.

8. References

CBI, 2018. Why making infrastructure climate-adapted and resilient will help meet the SDGs. Available at: https://www.climatebonds.net/files/reports/cbi_briefing-climate_adaptated_investment_helps_achieve_sdgs_final.pdf.

Edwards, P.E.T. et al. (2013). Investing in nature: Restoring coastal habitat blue infrastructure and green job creation, available at: <https://www.sciencedirect.com/science/article/pii/S0308597X12001182#bib15>.

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Samaniego, J. (2014). The economics of climate change in Latin America and the Caribbean: Paradoxes and challenges. Overview for 2014.

WRI, 2018. <https://www.wri.org/blog/2018/09/help-s-o-paulo-s-complex-water-woes-protect-and-restore-forests>.