

TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Strengthening Governance Towards an Increased Mainstreaming of Environmental and Social Sustainability
▪ TC Number:	RG-T3671
▪ Team Leader/Members:	Rojas Sanchez, Laura Natalia (CSD/RND) Team Leader; Loo-Kung Aguero, Rudy Joel (VPS/VPS) Alternate Team Leader; Gomez Davalos, Mabel (VPS/VPS); Greco, Maria Sofia (LEG/SGO); Jones, William Davis (VPS/ESG); Killmer, Annette Bettina (CSD/CSD); Molina, Silvana (VPS/VPS); Rodriguez-Balza, Rafael A. (SCL/SCL)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	20 Mar 2020.
▪ Beneficiary:	26 IDB's Borrowing Member Countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Countries(CTY)
▪ IDB Funding Requested:	US\$900,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	December, 2020
▪ Types of consultants:	Consulting firms and individual consultants
▪ Prepared by Unit:	VPS-VP - Sectors & Knowledge
▪ Unit of Disbursement Responsibility:	VPS-VP - Sectors & Knowledge
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Institutional capacity and rule of law; Environmental sustainability; Gender equality; Diversity

II. Objectives and Justification of the TC

- 2.1 The objective of this technical cooperation project (TC) is to support borrowing member countries in their efforts to strengthen their governance and institutional capacity for mainstreaming social and environmental sustainability in priority sectors, thereby supporting the countries' sustainable socioeconomic development and progress towards the Sustainable Development Goals (SDGs).
- 2.2 The TC will generate: (1) diagnostic information to integrate environmental and social sustainability dimensions in dialogue with countries; and (2) more country-specific knowledge and build capacity to mainstream sustainability in Ministries of Finance, other government entities and IDB personnel.
- 2.3 Latin American and the Caribbean (LAC) economies depend critically on their human and natural capital and ecosystem services. The traditional short-term view of economic development has tended to focus on maximizing current income as reflected through gross domestic product (GDP). This can lead to levels of natural capital use that are not socially optimum, resulting in over-exploitation and degradation, and

declining wealth and inter-generational equity. The costs of this misuse pose real costs to economies through their impact on productivity, health, and environmental remediation. Globally, natural capital degradation and ecosystem service loss has been estimated at US\$6.3 trillion per year (Sutton et al., 2016). The global annual cost of land degradation was estimated at US\$231 billion (0.41% of global GDP) a large share of which, US\$52.55 billion is attributed to LAC (Nkonya et al., 2016). In the same way, social inequalities have an economic cost due to losses in human capital. For instance, gender inequalities could lead to a 20 percent loss of human wealth or US\$160.2 trillion, worldwide (World Bank, 2018).

- 2.4 Strengthening governance towards an increased mainstreaming of environmental and social sustainability contributes to ensuring that the opportunities of economic development are accessed by all, including those who are poor or in a vulnerable position, and that economic development activities do not compromise the health of LAC populations and the environment.
- 2.5 This TC is expected to address the governance of complex, cross-cutting environmental and social issues, to contribute to the identification of challenges to accelerating sustainable growth. The TC is sector specific to mainstreaming aspects of gender equality, development with identity of Indigenous Peoples and the inclusion of African descendants, persons with disabilities (PWD) and LGBTQ+ individuals, resilience against and recovery from natural disaster, climate or pandemic risks, and natural capital and biodiversity.
- 2.6 The TC addresses environmental and social sustainability challenges that may be impeding the development and/or emergence of new economic sectors with potential to advance sustainable economic growth through spillovers and linkages. Strong environmental and social institutional, legal, and regulatory systems will allow for a transition to an inclusive circular economy, where resources are managed and reused in a sustainable manner. This transition will provide fertile ground for new green jobs and new economic sectors (e.j. sharing economy; sustainable materials, efficient logistics, green energy, etc).
- 2.7 This TC contributes to addressing the UIS's challenge of social inclusion and the cross-cutting themes of "gender equality and diversity", "climate change and environmental sustainability" and "institutional capacity and the rule of law", by incorporating actions to strengthen the mechanisms of environmental and social governance in the countries of the region. The TC contributes with IDB's commitment to integrate considerations of potential environmental and social challenges and opportunities in all areas of work, including in IDB's country strategies, sector strategies, and its operational program. In addition, the TC is consistent with the objectives of social and environmental sustainability mainstreaming included in the Gender, Diversity and Climate Change actions plans.
- 2.8 In 2019, the Bank approved 2 TCs (RG-T3371 and RG-T3455) to advance in the diagnosis and support for environmental and social institutional, legal, and regulatory systems, respectively. It also approved a TC (RG-T3173) to build the institutional capacity of executing agencies in implementing environmental and social requirements in projects. This TC complements, and continues the work of these operations, both geographically and thematically, laying the foundations for long-term strengthening of environmental and social institutional, legal, and regulatory systems, based on the operational demand of the countries of the region.

- 2.9 In September 2020, the IDB approved its Mainstreaming Action Plan for Environmental and Social Sustainability.¹ This TC will contribute to the achievement of its results regarding upstreaming and capacity building activities aimed at incorporating the environmental and social perspectives in the development processes of LAC countries.

III. Description of Activities/Components and Budget

- 3.1 **Component I: Multidimensional country diagnostic assessment.** This component will conduct country diagnostic assessments of multiple dimensions of sustainability to inform dialogue with countries. The assessments will be timed to feed Country Development Challenges documents, as an input to the dialogue with the country in defining the Country Strategy. The assessments will be annexed to Country Strategies. The diagnostic assessment aims to identify a country's main challenges to inclusive and sustainable development. Many of these problems can be intrinsically related and have simultaneous impacts. The assessments will make these links explicit whenever possible but, for ease of exposition, will present the challenges by the cross-cutting categories of the UIS. Assessments may include: (i) executive summary of main findings and recommendations; (ii) key environmental and social trends in the country (Including biodiversity and natural capital, climate change, disaster preparedness, gender equality, and social inclusion of diverse groups: Indigenous peoples, African descendants, person with disabilities and LGBTQ+); (iii) review of environmental and social systems (institutional, legal and regulatory); (iv) data limitations and needs; and (v) priorities and recommendations to promote green and inclusive development. Products: At least five diagnoses/analyses of prioritized environmental and social issues.
- 3.2 **Component II: Strengthening of governance systems for environmental and social sustainability.** This component will finance analytical inputs and capacity building activities aimed at: (1) strengthening the institutional capacity of the region's Ministries of Finance, or equivalent, to mainstream sustainability actions within fiscal policies, government procurement, investment review mechanisms and management systems, considering the demand and fiscal context of each country; and (2) contributing to identify options to enable a clean, inclusive, and resilient recovery from the COVID-19 pandemic and subsequent economic downturn, maximizing synergies between economic recovery and environmental and social sustainability. For the former, areas of intervention include, among others: (i) application of the Integrated Economic-Environmental Modelling Platform (IEEM)² to evaluate strategies to achieve the sustainable development goals; (ii) measuring the impact of extreme natural events on fiscal sustainability; (iii) identification, tracking, monitoring and evaluation of public expenditures on disaster resilience and climate change, including climate change budget tagging, gender equality, and diversity issues; (iv) identifying resilience

¹ Mainstreaming Action Plan for Environmental and Social Sustainability ([GN-3019-3](#)).

² The Integrated Economic-Environmental Modelling (IEEM) platform integrates environmental data organized under the first international standard for environmental-economic accounting with a powerful economy-wide modelling approach. IEEM enables the ex-ante economic analysis of public policies and investment on the economy and the environment in a quantitative, comprehensive, and consistent framework. IEEM elucidates the two-way interrelationships between the economy and environment, considering how economic activities depend on the environment as a source of inputs and as a sink for its outputs. In addition to standard economic impact indicators such as gross domestic product, income and employment, IEEM generates indicators that describe policy impacts on the use of environmental resources, wealth and environmental quality which together determine prospects for future economic growth and well-being.

governance gaps at the national level planning through the iGOPP, and promoting best practices to fill in these gaps, for instance, in the incorporation of resiliency considerations on public investment management; (v) promote the use of environmental taxes in the region; (vi) setting sustainable infrastructure criteria to guide public and private investments and partnerships; (vii) establishing green procurement and acquisition policies based on the principle of “value for money”; and (viii) promoting a better articulation between fiscal policy and climate change. For the latter, analytical work may include sustainable infrastructure investment and nature-based solutions, green jobs and training,³ natural capital investment for ecosystem resilience and regeneration, green innovation, circular economy, bioeconomy, statistics and disaggregated data, gender and security and justice, financial inclusion of women and other vulnerable groups, green finance, fiscal policies, and sustainable agriculture; and the reallocation of fiscal means to help vulnerable segments of the population, including women, indigenous peoples, African descendants and persons with disabilities, and migrants.

- 3.3 Products: At least 10 LAC countries that receive analytical input.
- 3.4 **Component III: Sharing Knowledge.** This component will finance thematic courses, knowledge transfer, regional dialogues and interchanges between key actors promoting mainstreaming and innovation in environmental and social issues. This component will finance the development and application of capacity building materials, such as training modules and online courses or tailored publications to: (i) provide tools on how to assess sustainability opportunities in IDB operations; and (ii) build the capacity of governments and executing agencies in planning and implementing sustainable and inclusive development pathways. Products: At least two dissemination events/or training modules.
- 3.5 **Indicative Budget.** The project is estimated to require a total of US\$900,000 which will be financed through the OC Strategic Development Program for Countries – Economic Growth Priority (CTY-ECG). Related activities will also be financed by resources from the CT projects RG-T3371 and RG-T3455. Table below details this budget.

Activity/Component	Description	IDB Funding
1. Conducting country diagnostic assessments	Retainer consultancy to provide diagnostic assessments per country that will feed the Country Strategy Process (at least five).	300,000
2.1 Delivery of sustainability capacity building activities to Ministries of Finance	Consultancies and other services for capacity building activities and/or analytical inputs for strengthening the institutional capacity of Ministries of Finance or equivalent (at least 10).	250,000
2.2. Development of analytical inputs to identify options to enable a clean, inclusive, and resilient recovery	Consultancies to analyze country-specific recovery pathways (at least four).	100,000

³ Particularly for the young, who are disproportionately affected by labor negative impacts of the crisis.

3.1 Development of tools to assess sustainability opportunities in IDB operations	Content development and edition of “ABC” courses on gender, diversity, disaster risk management, natural capital and biodiversity. (at least four courses). Development of support material such as infographics and country profiles.	180,000
3.2. Capacity building activities to governments and executing agencies	Delivery of training modules to governments and executing agencies.	60,000
Evaluation	Final evaluation report	10,000
	Total	900,000

3.6 **Procurement:** All activities to be executed under this TC have been included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-28 for logistics and other related services. All products from this TC will be intellectual property of the Bank.

3.7 **Monitoring and Reporting.** Monitoring and reporting will be managed through the TC. Monitoring and Reporting System (TCM) and will facilitate the articulation of expected results to corresponding indicators to measure progress towards successful completion. A final evaluation report will be prepared upon completion of the project to capture lessons learned and contribute to developing the subsequent program.

IV. Executing agency and execution structure

4.1 The Bank will execute the TC and carry out all contracting-related activities. Activities financed by this TC will be strategically selected, based on the needs of borrowing member countries, in coordination with Country Representatives, and environmental, social and sector specialists at headquarters and in Country Offices. The activities under this TC do not require traveling to participant countries.

4.2 The Bank is best suited for executing this operation given the need for: (i) a careful prioritization of interventions in alignment with the Bank’s strategies, policies and action plans, and (ii) a regional perspective that optimally leverages experiences and allows cross-fertilization among different country systems for effective knowledge sharing across the Region; and also given the limited size and scope of the individual interventions, primarily at the country level, and linkages to the Bank’s agreed-upon country strategies.

4.3 Once selected, individual activities will be managed and monitored by the corresponding sector specialist, in close coordination with the TC’s project team. The execution structure of Component II, to facilitate a timely and flexible response to requests for (relatively small) interventions, while guaranteeing their quality and relevance, will be as follows: (i) the sector specialist will complete a proposal describing the proposed intervention or activity, and then submit it to the team leader, (ii) the TC’s team will evaluate the eligibility of the proposed activity/intervention in alignment with the TC expected results, and (iii) team leader will inform the approval

of the intervention. Disbursement(s) will occur after the receipt of the invoice and required work product, in accordance with the applicable terms of reference, once approved. Under Component II, the need for a request letter will be analyzed on a case-by-case basis depending on the nature of the proposed activity.

- 4.4 Given the corporate nature of the activities and the coordination with multiple Bank's units, VPS/VPS will lead the execution of the proposed activities assuring its contribution to the Mainstreaming Action Plan. The team leader and the alternate team leader will supervise all activities under this TC. For the activities under Component I, VPS/VPS will coordinate with the Vice Presidency for Countries (VPC/VPC) to link them to the Country Strategies processes.
- 4.5 The Climate Change and Sustainable Development Sector (CSD), the Social Sector (SCL) will provide technical expertise on environmental and social aspects and will provide the technical content of all the products developed under this TC, in coordination with the Infrastructure and Energy Sector (INE), the Institutions for Development sector (IFD) and the Integration and Trade Sector (INT). The Knowledge, Innovation and Communication Department (KIC) will provide advice and technical support to ensure the methodologies used to design, implement and evaluate the training programs are adequate for the achievement of the learning objectives set.
- 4.6 The courses and technical content developed under this TC will be integrated to the IDB's [Project Learning Academy](#)⁴ and its [Operation Learning Program](#) ensuring its continuity after the execution of this TC project.
- 4.7 The work proposed in this TC is highly technical and requires proper quality review and monitoring. The TC will ensure that the materials developed by consultants are peer-reviewed by the IDB. The team will ensure close technical follow up and quality control and methodological support.

V. Major issues

- 5.1 Given that the current context, the global Coronavirus (COVID-19) pandemic limits the in-person training opportunities. The activities described in this TC will employ different distance education modalities to ensure they can be carried out in the context of social distancing.
- 5.2 The development and implementation of the activities of this TC may require gathering information from a significant number of entities, so that coordination issues may arise. In turn, the TC will identify countries that show prior interest in the analysis of their environmental and / or social governance.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

⁴ The Project Learning Academy is a new and innovative program that strengthens the technical skills of those involved in development projects financed by the IDB. The Academy enables government agencies to enhance their knowledge and skills on topics such as effectiveness, planning procurement, disbursements, environmental and social issues, risk management, communications, and monitoring, among others. It also facilitates the acquisition of digital certifications and badges aimed at empowering our development partners and providing them with the tools and resources necessary for the success of their projects. The Project Learning Academy is aligned with the priorities of the IDB, and the mission to improve lives in the region as well as the capacity of government agencies.

VII. Environmental and Social Strategy

- 7.1 The project is classified as Category “C”, as there are no environmental or social risks associated with this project’s activities (see the [Safeguards Policy Filter \(SPF\)](#) and [Safeguard Screening Form \(SSF\)](#)).

Required Annexes:

[Results Matrix - RG-T3671](#)

[Terms of Reference - RG-T3671](#)

[Procurement Plan - RG-T3671](#)