

REGIONAL

RG-T3463

COUNTRY ANALYSES

TERMS OF REFERENCE

1. Background and Justification

- 1.1. **The Paris agreement entails ownership processes at country level regarding low-carbon and resilient development.** Beyond the acknowledgment by all countries of the long-term objectives of the Paris Agreement, key results of COP 21 include the communication of NDCs by the countries, their adherence to a review process, as well as the call on the Parties to formulate and communicate long-term (until 2050) low-carbon development strategies (LTS) by 2020 (Art. 4.19).
- 1.2. **The Paris Agreement also entails new expectations vis-à-vis development funders.** The Agreement has three long-term goals, described in its Article 2. The limitation of global temperature rise well below 2°C, and as close to 1.5°C as possible; the strengthening of adaptation capacities; and a third goal: to “make all financial flows consistent with a pathway towards low-emissions, climate-resilient development” (Article 2.1.c), which hence particularly concerns development funders, who produce and influence financial flows. Furthermore, Art. 9 and the decision of COP21 explicitly confirm expectations in terms of mobilizing financial resources for developing countries to support policies, strategies, regulations, action plans and measures against climate change. In parallel, the collective expectation that developed countries mobilize financing (USD 100 billion annually) in support of mitigation and adaptation in developing countries, that originated in COP 15, is extended.
- 1.3. **The MDBs have accordingly identified the following “building blocks” (BBs) for their alignment with the objectives of the Paris agreement** in a collective declaration issued during COP24 as follows:
 - a. **BB1 Alignment with mitigation goals.** Our operations will be consistent with the different countries’ low-emissions development pathways and compatible with the overall climate change mitigation objectives of the Paris Agreement. In line with Principle 2 of the “Mainstreaming Principles”, we will assess our operations against transition risks and opportunities related to climate change.
 - b. **BB2 Adaptation and climate-resilient operations.** Similarly, in line with Principle 2 of the “Mainstreaming Principles”, we will be active in managing physical climate change risks, in a manner consistent with climate-resilient development, and in identifying opportunities to make our operations more climate-resilient. In addition, we will seek to support a significant increase in our clients’ and their communities’ ability to adapt to the adverse impacts of climate change.
 - c. **BB3 Accelerated contribution to the transition through climate finance.** We will strive to actively support low-emissions and climate-resilient development pathways through our interventions. To that end, we will further scale-up the provision of climate finance. We will operationalize new approaches to bridge the climate finance gap and accelerate the transition in order to effectively support countries in achieving the goals articulated in their Nationally Determined Contributions (NDCs), including adaptation plans. We will go beyond current efforts to (i) prioritize, target and report on climate finance, (ii) mobilize private sector investments, (iii) support clients’ access to

concessional finance, including for leveraging private capital, and (iv) provide the needed technical assistance for climate action. We will do this in support of ambitions agreed to under the United Nations Framework Convention on Climate Change (UNFCCC) and in line with science-based evidence identified by the IPCC.

- d. **BB4 Engagement and policy development support.** We will build on existing efforts to support the NDCs' revision cycle and develop services for countries and other clients to put in place long-term strategies and accelerate the transition to low-emissions and climate-resilient development pathways. In developing these new services, we will ensure consistency with the SDGs and establish collaborative partnerships with other institutions and private sector actors while scaling-up outreach and knowledge-sharing initiatives.
 - e. **BB5 Reporting.** Building on the joint efforts on climate finance tracking and collaboration on mitigation and adaptation issues, we will further develop tools and methods for characterizing, monitoring and reporting on the results of our Paris-alignment activities. Where possible, we will collaborate to harmonize our respective approaches.
 - f. **BB6 Align internal activities.** We will progressively ensure that our internal operations, including facilities and other internal policies, are also in line with the objectives of the Paris Agreement.
- 1.4. **There are specific challenges to the implementation of BB1 and BB2.** MDBs are already well advanced in supporting the “means of implementation” of the Paris Agreement through the provision of Climate finance, the promotion technology development and transfer, capacity-building in support of NDCs and Long-Term Strategies. This means that building blocks BB3-BB6 can be, to a large extent, grounded in existing MDB activities. However, ensuring consistency of all their financial commitments (and as much as possible financial flows beyond their own direct financings) with low-GHG and climate-resilient development pathways of countries constitutes a new paradigm (to which BB1 and BB2 correspond), a “strategic leap” for the “climate action” of development finance actors.

The operationalization of these two building blocks will need to address several issues, detailed below:

Necessity of country-specific assessments

In the context of the principles of the Paris Agreement, characterizing each financed activity (investment project, Policy Based Loan, other types of support...) in terms of consistency with a low-carbon and resilient pathway is an exercise that is essentially country-specific. Identical projects in distinct countries contexts may entail opposite significance in that regard (for example, a gas-based electricity generation rehabilitation project may be supporting RE implementation and entering an established long-term decarbonization plan in one context, while it could build dependence on fossil fuel in another context).

Lack of definite local references

However, definitive references as to what constitute a low carbon and resilient pathway, sector by sector in each country, have in general not been formally established by the countries yet. Whilst NDCs are crucial in terms of process to deliver on the PA, collectively their commitments are not yet in line with global emissions pathways leading to 1.5-2°C. Moreover, their timelines (to 2025 or 2030) are short relative to that of a carbon neutrality

to be reached by the second half of the century. Most of them are not yet expressed within the framework of a long-term low-carbon and climate-resilient development strategy and some may even be encouraging or underpinned by policies or technological options that are inadequate to achieve substantial decarbonization around mid-century.

This said, it is important to note that:

- a. countries have accepted *as per* the Paris Agreement to review periodically their NDCs, and have been invited to produce Long-term Low Carbon Development Strategies by 2020,
- b. a vast number of countries have started exercises at the government or academic, levels that will contribute to Long-term Low Carbon Development Strategies; a small number have produced such strategies already,
- c. virtually all countries have medium-term development plans and climate policies that are more developed and detailed than their NDCs, and many countries (and certainly regions) have been the subject of external assessments and research by scholars, institutions and think tanks as to possible decarbonization pathways.

Necessity of local ownership

Top-down analyses (by international institutions, think tanks, academics...) of acceptable development pathways of countries exist or can be developed. However, the prospect of ownership of such pathways by the countries is critical to a credible “alignment approach” from an IFI point of view, as seeking consistency of isolated projects to pathways that would bear little chances to be followed would not make much sense. In parallel, a supporting role is precisely expected from development finance on policies and long-term strategies. In that respect it is important to note that in a number of LAC countries including Costa Rica, Ecuador, Peru, Mexico, Colombia, Argentina, IDB is supporting, through its DDPLAC (Deep Decarbonization Pathways in LAC) program, the local capacities to develop long-term strategies.

Necessarily complex exercises

Assessing the consistency of projects with low-carbon and resilient development pathways will be more complex than just making sure that projects fit into a list of pre-defined virtuous projects or comparing the projects’ emissions or even their GHG emissions intensities with benchmarks. Whether projects contribute actively, are merely consistent, or run counter to low carbon and resilient development will have to be considered in the context of the country considered. The assessment will also need to encompass considerations beyond direct impacts in terms of GHG emissions (often not significant, when compared to country- or sector-level emissions) or local resilience improvement, to consider virtuous knock-on effects, or on the contrary lock-in effects, in the context of plausible, and yet uncertain, development pathways of countries.

1.5. In light of the elements above, it is anticipated that implementation of BB1 and BB2 will need to lean in particular on:

- a. **A systematic questioning of projects**, as to their likely contribution, consistency or negative effects on the low-carbon and climate resilient development of the country considered. The questioning framework will have to cope with uncertainty, reflect the dynamics of transition and the fundamentals of decarbonization applied to various sectors and geographical contexts.

- b. **Analyses of country situations**, policies, gaps and opportunities regarding low-carbon and resilience development, in order to fill “**knowledge gaps**” surrounding these issues and **inform the above questioning**.
- c. **Support to countries** for the elaboration of long-term low-carbon and climate resilient development strategies (responding to the necessity of ownership of ambitious decarbonization pathways).

2. Objective

- 2.1 In the above-described context, the objective of the assignment is to produce synthetic analyses of the current situations and perspective of each of the IDB countries of operations with regard to low carbon and climate resilient development.

The country analysis documents will essentially aim to present a fairly general assessment of the country's challenges and policies regarding low-carbon and climate resilient long-term development. They will be updated and enriched over time outside of the present assignment. In the framework of the present contract the consultant will produce analyses for the following countries: [batch of eight to nine countries].

3. Activities

- 3.1. Each country analysis will be produced on a desk-review basis, based on publicly available data, studies and research from national and international sources, such as the ones mentioned in paragraph 1.4. above, as well as papers published by the DDPLAC project participating country teams when available.
- 3.2. It is proposed that the low-carbon development part be structured in three main parts as follows:
- a. **Dashboard of macro-economic and macro-energy indicators.** The purpose is to gather data allowing, independently of the analysis that follows in the document, a first overall and “quantitative” view of the context (emissive sectors, constraints of the country in terms of primary and final energy demand, specificities in terms of development, weight of the forestry sector, etc.). The data can be filled in from international sources (IEA, FAO, UN, WB, etc.) or follow similar dashboards established at national level (e.g. DDPLAC project's similar dashboards).
 - b. **Context and challenges of low carbon development.** The purpose is to describe the fundamental elements which underlie the GHG emissions and their evolution, with focuses on the critical sectors.
 - c. **Climate policies.** This part will describe the country's climate change mitigation policies, the Nationally Determined Contribution (NDC) and its level of ambition, the underlying assumptions, describe the state of progress towards the development of a long-term low carbon development strategy, and comment on public policies on climate as well as the sectors at stake.
- 3.3. It is proposed that the climate resilient development part be articulated in at least two parts as follows:
- a. **Country's vulnerabilities.** The purpose is to outline current climatic characteristics and climate hazards, main changes observed and projected, as well as the socio-ecological characteristics and vulnerability of different sectors and regions to climate risks. The purpose of this part is to lay the base for a general assessment of sensitivity and exposure of IDB operations.

- b. **Governance and planning.** This part will describe the administrative organization of the country on adaptation and resilience and national, regional or local policies and relevant regulations for climate resilience. Furthermore, it will assess existing strategies based on their adequacy and suggest what adequate strategies or policies for climate resilience (as opposed to existing ones) would be in the specific country context.
 - c. **Potential to build climate resilience capacities.** This part will describe the areas in the country with the greatest potential to build absorptive climate resilience capacities (the capacity to reduce losses resulting from extreme weather events and/or slow-moving changes by taking actions ex ante), restorative climate resilience capacities (the capacity to recover from losses and damages that result from extreme weather events and/or slow-moving changes by taking actions ex post, including “building back better”), and related transformative climate resilience capacities (to create a fundamentally new system).
- 3.4. One country review document is expected to be approximatively 15 pages altogether, plus references and annexes if needed. Alternative formats as proposed in the consultant’s proposal may also be accepted.
 - 3.5. The contracted firm will participate in follow-up meetings with IDB, where it will present and gather comments on its successive drafts for the batch of eight to nine countries under this contract.
 - 3.6 The contracted firm will organize a formal presentation (either in-person or by video conference) of each country final analysis separately for IDB.

4. Project Schedule, Deliverables and Payment

	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Selection of consultant firm					
Kick-off meeting					
Draft analyses					
Final analyses					
Presentations					

4.1. Payments will be processed upon delivery and approval by the IDB of the following deliverables from the technical and administrative coordinator:

- a. Signature of contract for 10%
- b. Draft analysis (eight to nine) countries 20%
- c. Final analysis (eight to nine) countries 50%
- d. Individual country analysis presentations to IDB 20%

4.2. This consultancy will be coordinated by Claudio Alatorre (CSD/CCS), who will accept and approve of all deliverables and give comments or instructions for changes. It is the consulting firm’s responsibility to ensure that deliverables are submitted to the Bank. The deliverables should be submitted in pdf format in English and/or csv tables.

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SECTOR ANALYSES

TERMS OF REFERENCE

1. Background and Justification

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- a. **BB1 Alignment with mitigation goals.** Our operations will be consistent with the different countries’ low-emissions development pathways and compatible with the overall climate change mitigation objectives of the Paris Agreement. In line with Principle 2 of the “Mainstreaming Principles”, we will assess our operations against transition risks and opportunities related to climate change.
- b. **BB2 Adaptation and climate-resilient operations.** Similarly, in line with Principle 2 of the “Mainstreaming Principles”, we will be active in managing physical climate change risks, in a manner consistent with climate-resilient development, and in identifying opportunities to make our operations more climate-resilient. In addition, we will seek to support a significant increase in our clients’ and their communities’ ability to adapt to the adverse impacts of climate change.
- c. **BB3 Accelerated contribution to the transition through climate finance.** We will strive to actively support low-emissions and climate-resilient development pathways through our interventions. To that end, we will further scale-up the provision of climate finance. We will operationalize new approaches to bridge the climate finance gap and accelerate the transition in order to effectively support countries in achieving the goals articulated in their Nationally Determined Contributions (NDCs), including adaptation plans. We will go beyond current efforts to: (i) prioritize, target and report on climate finance; (ii) mobilize private sector investments; (iii) support clients’ access to concessional finance, including for leveraging private capital; and (iv) provide the needed technical assistance for climate action. We will do this in support of ambitions agreed to under the United Nations Framework Convention on Climate Change (UNFCCC) and in line with science-based evidence identified by the IPCC.
- d. **BB4 Engagement and policy development support.** We will build on existing efforts to support the NDCs’ revision cycle and develop services for countries and other clients to put in place long-term strategies and accelerate the transition to low-emissions and climate-resilient development pathways. In developing these new services, we will ensure consistency with the SDGs and establish collaborative partnerships with other institutions and private sector actors while scaling-up outreach and knowledge-sharing initiatives.
- e. **BB5 Reporting.** Building on the joint efforts on climate finance tracking and collaboration on mitigation and adaptation issues, we will further develop tools and methods for characterizing, monitoring and reporting on the results of our Paris-alignment activities. Where possible, we will collaborate to harmonize our respective approaches.

- f. **BB6 Align internal activities.** We will progressively ensure that our internal operations, including facilities and other internal policies, are also in line with the objectives of the Paris Agreement.
- 1.2. Implementing building blocks BB1 will necessitate that IDB operations are assessed in terms of their consistency with low emissions development pathways. To inform these assessments, IDB will need: (i) to strengthen prospective analyses of country-specific low emissions and resilient long-term development pathways that would appear feasible from a technological, economic, fiscal and social viewpoints; and (ii) to have at its disposal overall views of the types of challenges and solutions that can be envisaged in the LAC region for the decarbonization of a number of key macro-economic sectors, namely energy generation and consumption, urban development including transport, as well as housing and spatial planning, Inter-urban transport, digitalization of the economy, agriculture, forestry and land-use as a matter of priority. These sectors represent major contributions in terms of GHG emissions in LAC (47% for energy and transport, 42% for agriculture, forestry and land-use change respectively¹), will have critical roles within decarbonization and resilient development strategies (as is the case for agriculture, transport and spatial planning, as illustrated by recent IDB studies²), embark important economic and social stakes, and are particularly represented in IDB interventions at large.

2. Objectives

- 2.1. The objective of the TC will be to carry out the above review in the sector of [to be defined].
- 2.2. The review will:
 - a. Cover different characteristics of the sector throughout the LAC region in terms of, inter alia: (i) demand and supply, both present and projected; (ii) technologies deployed; (iii) primary sources of energy and the dependency/independencies they entail; (iv) associated infrastructure, long-term investment programming/development patterns; (v) share and projections of GHG emissions; (vi) supply organization (concentration, atomization), regulation authorities and socio-economic weight; (vii) financing mechanisms; (viii) contribution to fiscal revenues; and (ix) vulnerability to CC.
 - b. Describe current public policies affecting the sector and how they integrate decarbonization.
 - c. Identify and describe relevant long-term sector development plans.
 - d. Based on relevant international best practices examples and recommendations, identify potential opportunities and constraints (technical, social, economic, fiscal) to decarbonization options of the sector in LAC.
 - e. Provide relevant examples of country good practice that address constraints and seize development opportunities for decarbonized development.

¹ Calculation based on Source WRI 2017 and World Bank 2018.

² IDB and DDPLAC (2019). Getting to Net-Zero Emissions: lessons from Latin America and the Caribbean. Inter-American Development Bank, Washington DC.

3. Activities

- a. The proposal of the contracted firm will include a detailed methodology outlining the projected contents of the review. A final methodology and outline of report will be agreed upon at the launch of contract.
- b. The contracted firm will produce the review on a desk-review basis, based on available literature and research publicly available (IPCC, IEA, Think tanks, publications of various sector global initiatives and programs, MDBs publications, published sectoral or country planning documents, etc.).
- c. The contracted firm will participate in follow-up meetings with IDB, where it will present a first draft, intermediate draft and final draft.
- d. The contracted firm will organize a formal presentation of the final study for IDB.

4. Project Schedule, Deliverables and Payment

	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Selection of consultant firm					
Kick-off meeting					
Draft report					
Final draft					
Final report					
Presentation					

- 4.1. Payments will be processed upon delivery and approval by the IDB of the following deliverables from the technical and administrative coordinator:
 - a. Signature of contract for 10%.
 - b. Draft report 20%.
 - c. Final Draft 30%.
 - d. Final report and presentation 40%.
- 4.2. This consultancy will be coordinated by Claudio Alatorre (CSD/CCS), who will accept and approve of all deliverables and give comments or instructions for changes. It is the consulting firm's responsibility to ensure that deliverables are submitted to the Bank. The deliverables should be submitted in pdf format in English and/or csv tables.