

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Country and Sector Low-Carbon and Resilient Development Analyses
▪ TC Number:	RG-T3463
▪ Team Leader/Members:	Alatorre Frenk, Claudio (CSD/CCS) Team Leader; Visconti, Gloria (CSD/CCS) Alternate Team Leader; Almeida, Juliana Salles (CSD/CCS); Breton, Herve Jeanmarie (CSD/CCS); Buttazzoni, Marco (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Hernandez, Claudia (CSD/CCS); Jaen Reynolds, Eduardo Bethelgeuse (CSD/CCS); Lefevre, Benoit Jean Marie (CSD/CCS); Lewis, Amy Marie (CSD/CCS); Merchan Paladines, Vianca Tatiana (VPC/FMP); Negret Garrido, Cesar Andres (LEG/SGO); Vogt-Schilb, Adrien (CSD/CCS) (CSD/CCS); Hernandez, Claudia (CSD/CCS); Jaen, Eduardo (CSD/CCS); Lefevre, Benoit (CSD/CCS); Lewis, Amy (CSD/CCS); Merchan, Tatiana (VPC/FMP); Negret, Cesar (LEG/SGO); Vogt-Schilb, Adrien (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	29 Jan 2020.
▪ Beneficiary:	Latin American and the Caribbean countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	French Climate Fund for Latin America and the Caribbean(FRC)
▪ IDB Funding Requested:	US\$370,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (Execution):	18 months
▪ Required start date:	July 2020
▪ Types of consultants:	Firms and individuals
▪ Prepared by Unit:	CSD/CCS-Climate Change
▪ Unit of Disbursement Responsibility:	CSD-Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy:	No
▪ TC included in CPD:	No
▪ Alignment to the Second Update to the Institutional Strategy:	Productivity and innovation; Environmental sustainability

II. Objective and Justification

- 2.1 Latin America and the Caribbean (LAC) was responsible for 4 billion tons of carbon dioxide equivalent (CO₂e) emissions in 2014, approximately 8% of the world's total, making the region's per capita emissions almost identical to the global average (WRI-CAIT, 2019). As in the rest of the world, fossil fuel combustion (including energy generation and transport) is the main source of greenhouse gas (GHG) emissions, and the most important driver of an upward trend in total GHG emissions (between 1990 and 2014, these emissions grew by 87%). The carbon intensity of energy use increased in LAC by five percent from 1990 to 2014, mainly due to a declining share of hydropower in the energy mix and higher use of coal

and natural gas. Total emissions have grown faster than GDP in many LAC countries, which have struggled to decouple the economic model from a high-carbon path (OECD et al., 2019).

- 2.2 The Paris Agreement includes new expectations vis-à-vis development funders. It has three long-term goals: 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 the COP-21¹ 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 (US\$100 billion annually) in support of mitigation and adaptation in developing countries, that originated in COP-15, is extended. More generally, the Paris Agreement has identified technology development and transfer, capacity building, education and training, transparency and stocktaking as central means of implementation, beyond the provision of financial support.
- 2.3 The Multi-lateral Development Banks (MDB) have accordingly identified “Building Blocks” (BB) for their alignment with the objectives of the Paris Agreement in a collective declaration issued during the COP-24 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 (NDC), 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

¹ 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC).

Climate Change (UNFCCC) and in line with science-based evidence identified by the Intergovernmental Panel on Climate Change (IPCC).

- d. BB4. Engagement and policy development support: We will build on existing efforts to support the NDC 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 Sustainable Development Goals 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.
- 2.4 Having established the above building blocks on the occasion of COP-24, MDB have since then been working at the technical level through established working groups (including the MDB mitigation working group² and the GHG accounting Technical Working group) to develop concerted approaches for the implementation of those principles.
- 2.5 MDB, and IDB in particular, are already well advanced in supporting the “means of implementation”, through the provision of climate finance, the promotion of technology development and transfer, capacity-building in support of NDC and Long-Term Strategies. This means that building blocks BB3-BB6 can be, to a large extent, grounded in existing MDB (and IDB, in particular) activities. However, implementing BB1 and BB2 principles, i.e. aiming at ensuring the consistency of all financial commitments with low-GHG and climate-resilient development pathways of countries, constitutes a “strategic leap” for the climate action of development finance actors, and present specific challenges. BB1 and BB2 principles will be particularly pertinent in the post-COVID-19 context, which offers the opportunity for the IDB and its client countries to ensure that recovery efforts are consistent with such long-term development pathways. In particular, the operationalization of these two building blocks will need to address several issues:
- a. The necessity of country-specific assessments: In the context of the principles of the Paris Agreement, characterizing each financed activity (investment project, policy based loan, and 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 renewable energy implementation and

² The African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank and the World Bank Group participate in the group.

entering an established long-term decarbonization plan in one context, while it could build dependence on fossil fuel in a different context).

- b. The lack of definite local references (knowledge gap): However, definitive references as to what constitutes a low carbon and resilient pathway, sector by sector in each country, have in general not been formally established by the countries yet. Whilst NDC are crucial in terms of process to deliver on the Paris Agreement, 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.
- c. The necessity of local ownership: Top-down analyses (by international institutions, think tanks, academics, etc.) 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 International Financing Institution (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 and Argentina, the IDB is supporting local capacities to develop long-term strategies through the Deep Decarbonization Pathways (DDP) Program in LAC, in particular, and NDC Invest initiatives more generally.

2.6 In light of the elements above, the implementation of BB1 and BB2 will particularly need to lean on:

- a. Analyses of country situations, policies, gaps and opportunities regarding low-carbon and resilience development, in order to fill “knowledge gaps” surrounding these issues.
- b. A systematic questioning of projects, as early as possible and throughout the project cycle, as to their likely contribution, consistency or negative effects on the low-carbon and resilient development of the country considered. The questioning framework will have to be robust enough to cope with uncertainty, reflect the dynamics of transition and the fundamentals of decarbonization applied to various sectors and geographical contexts. It will also have to be informed by country-specific analyses or knowledge.
- c. The continuation of support to countries for the elaboration of long-term low-carbon and resilient development strategies (responding to the necessity of ownership of ambitious decarbonization pathways).

2.7 In this context, the main objective of this technical cooperation (TC) is to provide: (i) systematic analyses of country situations with regard to low-carbon and resilient development; and (ii) monographies on the main solutions for the decarbonization of selected sectors at the global and regional (LAC) levels. The TC will also directly

- serve the cooperation between MDB on the operationalization of climate action and its reporting modalities.
- 2.8 The analyses and monographies will in practice facilitate the operationalization by the IDB Group of the principles developed by the MDB for their alignment with the Paris Agreement.
- 2.9 The concrete implementation of BB1 and BB2 is being tested by a team of the Climate Change Division of the IDB (CSD/CCS) for a limited number of projects. Beyond serving the gradual and expected scaled-up implementation of BB1 and BB2 from 2021, country and sector analyses produced in the framework of the TC are also fundamentally expected to nourish and complement analyses leading to country strategies, as well as, in general, the policy dialogue between IDB and its counterparts, for the development and support to long-term, low carbon and resilient country development policies.
- 2.10 The first present batch of country analyses will be realized over a period of a maximum of 12 months, whereas the overall TC will cover a period of 18 months to address all its components. The information collected through the country analyses will need to be regularly updated. Considering data availability and the normal dynamics of key sectors, updates can be carried out every two years. After the present TC initial input, this is expected to be carried out internally by CSD/CCS in collaboration with the Vice Presidency of Sectors and Knowledge (VPS), the Vice Presidency of Countries (VPC) and the respective IDB Country Offices, notably during the elaboration of NDC profiles, CDC profiles or Country Strategy documents.
- 2.11 The TC is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of productivity and innovation, as it will contribute to generate an improved understanding of each country with regards to their own long-term development agendas. The country analyses and sectoral monographies will cover social implications of transition policies and ways to address them, which also aligns the operation with the development challenge of social inclusion and equality. Additionally, the operation will improve the IDB's responsiveness in terms of supporting development that integrates climate change and environmental sustainability considerations, which aligns it with the corresponding cross-cutting theme. Institutional capacities and the rule of law will also be featured in these analyses. The TC is also consistent with the definition of eligible operations for the French Climate Fund for Latin America and the Caribbean (FRC), as it seeks to foster the Bank's innovative and catalytic actions to combat climate change.

III. Description of Activities/Components and Budget

- 3.1 **Component 1. Systematization of country analyses with regard to low-carbon and resilient development (US\$182,000).** This component will produce concise country analysis documents with regard to the low-carbon and resilient development situation and perspectives for each of the 26 borrowing countries of the IDB Group. The analyses will be produced on a desk-review basis, via three distinct consultancy contracts. The contracted individuals or firms will be guided by a standardized format for the analyses, that has been produced by CSD-CCS and which will be attached to the respective terms of reference. The documents will feature a low carbon development part with: (i) a dashboard of macro-economic and macro-energy indicators; (ii) a description of the context and challenges attached to low-carbon

development in the socio-economic context of the country; (iii) an analysis of climate policies in place or contemplated, and a resilient development part, focusing *inter alia* on: (i) a description of the country's vulnerabilities; and (ii) governance and planning aspects attached to resilient development.

- 3.2 The sources of information for the contracting individuals or firms will include *inter alia* available macro-economic and macro-energy data from local and international sources, relevant country sectoral policies and development strategy documents, external analyses by international organizations (e.g. IPCC, the International Energy Agency, MDB), think tanks and academic research institutions on decarbonization and resilient development perspectives. They will also be informed by existing knowledge and analyses available through existing IDB programs and initiatives such as the DDPLAC program, NDC Invest projects in general, the NDC profiles, and other analyses produced by the Bank or through its programs, that are publicly available.
- 3.3 **Component 2. Sectoral solutions for decarbonization in LAC (US\$140,000).** This component will produce a series of comprehensive analyses describing the current state of specific sectors in LAC with regards to existing and projected GHG emissions, long-term zero-carbon technical options, resilience aspects, challenges and solutions –technical, institutional, regulatory, fiscal and social– to their implementation. The analyses, carried out by contracted individuals or firms in the framework of five contracts, will cover the following five sectors: (i) energy generation and consumption; (ii) urban development including transport, as well as housing and spatial planning; (iii) inter-urban transport; (iv) digitalization of the economy; and (v) agriculture, forestry and land-use.
- 3.4 These sectors are chosen given their prominent contributions in terms of GHG emissions in LAC (47% for energy and transport, 42% for agriculture, forestry and land-use change respectively³), and their critical roles within decarbonization strategies (as is the case for agriculture, transport and spatial planning, as illustrated by recent IDB studies⁴), as well as relevance to IDB interventions. The studies will be produced by individuals or contracted firms based on desk-review of existing international and local sources.
- 3.5 **Component 3. Support to MDB collaboration related to the Paris Agreement Alignment approach (US\$48,000).** This component will support the collective efforts of the MDBs in the development and implementation of the joint MDB Paris Alignment approach, including the hiring of specialized consultants to help collate theoretical examples, refine questioning frameworks and reporting options discussed within the MDB Mitigation Working Group. It will also provide support to organizations fulfilling secretariat roles to relevant MDB groupings, in particular the Secretariat of UNFCCC regarding the GHG Working group on GHG accounting, which dedicates part of its work to ensuring methodological consistency between GHG accounting and reporting approaches on the one hand, and the principles developed by MDB towards financing activities consistent with low carbon and resilient development.

³ Calculation based on Source WRI 2017 and World Bank 2018.

⁴ IDB and DDPLAC (2019). Getting to Net-Zero Emissions: lessons from Latin America and the Caribbean. Inter-American Development Bank, Washington DC.

- 3.6 The operation will be funded with US\$370,000 from the FRC.

Indicative Budget (US\$)

Component	IDB Funding	Total
Component 1. Systematization of country analyses	182,000	182,000
Honorarium for 5 person-day of senior expert per country in 26 countries (26 countries will be divided among 3 experts)	(5*\$1,400*26)	
Component 2. Sectoral solutions for decarbonization	140,000	140,000
Honorarium for 20 person-days of senior expert for each sector; 5 sectors (one expert per sector)	(20*\$1,400*5)	
Component	IDB Funding	Total
Component 3. Support to MDB collaboration	48,000	48,000
Support to IFI GHG group secretariat, 2 years	(2*\$10,000)	
Support to MDB Paris Alignment work with expert consultants, 20 days of senior expert	(20*\$1,400)	
Total	370,000	370,000

IV. Executing Agency and Execution Structure

- 4.1 Considering the regional nature of this operation, and taking into account that it intends to benefit a number of Bank member countries and that no regional entity with legal capacity to carry out the execution of this TC could be identified, the IDB will act as the executing agency, based on the Justification paragraph of Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1). The operation will produce desk studies for the Bank's internal use. The results will be communicated to relevant VPC, VPS and IDB Invest staff.
- 4.2 The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (i) AM-650 for individual consultants; (ii) GN-2765-4 and Guidelines OP-1155-4 for consulting firms for services of an intellectual nature; and (iii) GN-2303-28 for logistics and other related services. There will be no supervision costs.
- 4.3 Per Section II, C, 2.9, (b) of the Operational Guidelines for the Selection and Contracting of Consulting Firms for Operational Work Executed by the Bank (OP-1155-4), it is possible to utilize the Single-source Selection method "for small assignments where the contract value is US\$100,000 or less". This method will be used to hire the consulting firm reflected in the Procurement Plan for Component 3.

V. Major Issues

- 5.1 No risks were identified as the TC relates to knowledge and dissemination.

VI. Exceptions to Bank Policy

- 6.1 No exceptions to Bank's policies are foreseen.

VII. Environmental and Social Strategy

- 7.1 There are no associated environmental or social risks. Per the Environment and Safeguards Compliance Policy of the Bank (OP-703), the operation has been classified as "Category C", thus no environmental assessment studies or consultations are required (see the [Safeguard Policy Filter](#) and the [Safeguards Screening Form](#)).

Required Annexes

[Results Matrix_26488.pdf](#)

[Terms of Reference_1336.pdf](#)

[Procurement Plan_81747.pdf](#)