

## Technical Cooperation Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Support to the Implementation of Long Term Strategies in Latin America and the Caribbean
▪ TC Number:	RG-T3658
▪ Team Leader/Members:	Delgado, C. Raul (CSD/CCS) Team Leader; Vogt-Schilb, Adrien (CSD/CCS) Alternate Team Leader; Ceva Alvarez, Mariana Daniela (CSD/CCS); Fernandez-Baca, Jaime (CSD/CCS); Ferro Cornejo, Pamela (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Jaramillo Gil, Marcela Cristina (CSD/CCS); Lopes Pereira De Melo, Aloisio (CSD/CCS); Negret Garrido, Cesar Andres (LEG/SGO); Nunez Castillo, Scarleth Jamileth (CSD/CCS); Saavedra Gomez, Valentina (CSD/CCS); Samayoa, Jorge Omar (CSD/CCS); Silva Zuniga, Mariana Carolina (CSD/CCS) Schilb, Adrien (CSD/CCS) Alternate Team Leader; Ceva Alvarez, Mariana Daniela (CSD/CCS); Fernandez-Baca, Jaime (CSD/CCS); Ferro Cornejo, Pamela (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Jaramillo Gil, Marcela Cristina (CSD/CCS); Lopes Pereira De Melo, Aloisio (CSD/CCS); Negret Garrido, Cesar Andres (LEG/SGO); Nunez Castillo, Scarleth Jamileth (CSD/CCS); Saavedra Gomez, Valentina (CSD/CCS); Samayoa, Jorge Omar (CSD/CCS); Silva Zuniga, Mariana Carolina (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	12 Mar 2020.
▪ Beneficiary:	Inter-American Development Bank borrowing member countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Sustainability(SUS)
▪ IDB Funding Requested:	US\$500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (Execution):	24 months
▪ Required start date:	September 1, 2020
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	CSD/CCS-Climate Change
▪ Unit of Disbursement Responsibility:	CSD-Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law

### II. Objectives and Justification of the TC

- 2.1 *NDC Invest* is the IDB Group's platform created to support client countries in the Latin-American and Caribbean (LAC) region in the implementation of the objectives they defined under the Paris Agreement (PA) on Climate Change. Work under

ATN/MC-16271-RG, ATN/FR-17301-RG, ATN/MC-15367-RG and ATN/MC-17416-RG, which supported regional capacity to design Long-term Decarbonization Strategies (LTS), as well as approaches to align finance to the design and implementation of Nationally Determined Contributions (NDC), has demonstrated the value of having LTS to inform implementation of climate goals, seeking to maximize development benefits and manage a just transition. According to findings by IDB research, LTS can guide the design of NDC aligned to the objectives of the PA, help key ministries such as finance, planning, and environment anticipate costs, risks, manage trade-off, and ensure a just transition to net zero emissions, while identifying immediate policy reforms and investment priorities necessary to unlock the needed transformation.<sup>1</sup>

- 2.2 A recent study co-funded by the IDB<sup>2</sup>, observed a dynamism in the LAC countries to advance design of LTS and update NDCs in 2020. As of September 2019, 10 countries in LAC have announced their intention to achieve carbon neutrality by 2050 and five have announced plans to develop an LTS,<sup>3</sup> 11 countries also announced their intention to increase the ambition by updating their NDC in 2020. As countries complete the formulation of their LTS, they can use such strategies to plan for policy reforms, public investment, and financing approaches to promote mobilization of the multiple sources of investment required to deliver the transition and achieve the climate and development objectives they defined.
- 2.3 Most of the investments required to deliver decarbonization and build resiliency will be the responsibility of the private sector.<sup>4</sup> However, the current markets structure can be an obstacle to decarbonization, calling for policy reforms to enable the transition. For instance, the progressive adoption of electric cars or the deployment of energy efficient buildings for residential, commercial, and office purposes will lay mostly on the private sector. In some LAC countries, the private sector is also in charge of providing services such as power generation, public transport or waste management.<sup>5</sup> Implementing LTS will require further work at the sector level to clarify the scope of new or updated policy with a view to deliver climate and development objectives in a just transition manner.
- 2.4 In this context, relevant areas of work under the realm of ministries of finance and economic planning will also need attention to implement LTS. The role of ministries of finance and economic planning in the achievement of the objectives of the PA, along with development targets, is increasingly being recognized. For instance, the Santiago Action Plan that sets priority areas of work by the [Coalition of Finance Ministers for Climate Action](#)<sup>6</sup> includes the need to: (i) examine transition implications more broadly to cover the economic impacts and opportunities on citizens, businesses, and economies to help inform policy actions in line with strategies towards low carbon emissions and climate resilient economies; (ii) mainstream climate change mitigation and adaptation policies in macro-fiscal and other relevant

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<sup>1</sup> IDB, DDPLAC 2019, [Getting to Net-Zero Emissions: Lessons from Latin America and the Caribbean](#).

<sup>2</sup> LEDSLAC, 2019, <http://ledslac.org/es/leds-en-lac-2019/>.

<sup>3</sup> Costa Rica submitted [its LTS](#) under the United Nations Framework Convention on Climate Change in 2019. Chile, Colombia and Peru are receiving support from the IDB to design their LTS this year (RG-T3575). Other countries, such as Argentina, are also advancing LTS design.

<sup>4</sup> New Climate Economy, 2018. [The 2018 Report of the Global Commission on the Economy and Climate](#).

<sup>5</sup> IDB, DDPLAC 2019, [Getting to Net-Zero Emissions: Lessons from Latin America and the Caribbean](#).

<sup>6</sup> Argentina, Chile (co-chair), Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Panama, Paraguay and Uruguay are members of this coalition.

policy planning, budgeting, public investment management and public procurement; and (iii) improve capacities to evaluate the macro-fiscal impacts of NDC and long-term climate strategies. However, there is still broad need for tools, methodologies, and capacity building to translate these areas of work into concrete action.

- 2.5 With specific targets and actions defined in their LTS, countries will also need to assess and determine how to effectively align and attract financing to deliver required investments on the ground and seize the benefits of the transition. In this context, countries can benefit from a strategic identification of investments priorities, financing approaches and project pipelines to promote access to finance through mobilization of multiple sources.
- 2.6 Defining a finance strategy for the transition can help countries articulate the specific climate targets and measures defined in their national plans, such as NDC or LTS into investments priorities and a roadmap of actions under an umbrella of work. Such strategy can: (i) facilitate coordination across governments; (ii) clarify options to manage potentially conflicting goals; (iii) encourage the effective use of limited public resources (both national and international); and (iv) identify options to attract private capital. For instance, the identification of financial instruments, policy approaches and governance to enable investment in renewable energy systems, the expansion of electrified public transport infrastructure, energy efficiency, green buildings, low-carbon agricultural practices, reforestation, and nature-based adaptation solutions.
- 2.7 Furthermore, given the shock caused by the COVID-19 pandemic, governments around the world have been prompted to develop economic recovery plans that will shape infrastructure and industries for decades.<sup>7</sup> Providing input to inform the recovery plans to create jobs, boost economic growth, and improve resilience and sustainability in line with decarbonization targets is critical to stay on track to address the climate crisis.
- 2.8 **Objective.** Building on IDB's experience and informed by the priorities set by governments under the Coalition of Finance Ministries, this TC will support efforts by countries in the region to move from LTS design to implementation, delivering evidence and enhancing capacity required to inform policy and institutional reforms that enable financing for implementation of LTS, seeking to integrate climate and development objectives.
- 2.9 In particular, the operation aims to support the following specific objectives tailored to the context of countries that receive support: (i) development of analysis and evidence to inform sectoral interventions to enable deliver LTS objectives, integrating climate and development priorities; (ii) translation of objectives defined in LTS and NDC into specific policy actions, investment plans and financial strategies to enable implementation; and (iii) sharing, at the national and regional level, lessons learned, best practices, challenges and opportunities for the design and implementation of these types of policy instruments.
- 2.10 Support will be prioritized to IDB client countries that have an LTS in place or have advanced its design. Countries with an updated NDC, or in process to update their NDC, can also be considered for support. Furthermore, to inform the selection of

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<sup>7</sup> International Energy Agency, 2020. [Sustainable Recovery, 2020](#). World Energy Outlook Special Report.

countries for support the team will check and select countries that conform most of the criteria listed below, which has been informed by IDB's experience supporting LTS and NDC design through NDC Invest, and the international best practices:

- 2.10.1 Science based: The design and implementation of LTS and NDCs informed by the best available climate science.
  - 2.10.2 Long-term vision: The design and implementation of LTS and NDCs is aligned to the long-term goals of the Paris Agreement: net-zero carbon emissions by around 2050 and long-term resilience.
  - 2.10.3 Iterative and co-construction with stakeholders: The design and implementation of LTS and NDCs incorporates the vision and knowledge of different stakeholders from the public sector, civil society, and the private sector.
  - 2.10.4 Tailored to country context and responds to broader development objectives: The design and implementation of LTS and NDCs is aligned to national planning processes and the Sustainable Development Goals (SDGs).
  - 2.10.5 Considers specific actions for the short, medium and long term: The design of LTS and NDCs is aligned to long-term goals and incorporates specific actions for the short, medium and long-term for actionability.
- 2.11 This work will be complemented by the technical cooperation "*Strengthening Resilience in Latin America and the Caribbean*" (RG-T3657), which will develop further analyses and capacities to identify adaptation and resilience options that can inform LTS and NDC. Also, this TC will collaborate with other ongoing projects at the IDB such as "*Informing the Design of Long-term Decarbonization Strategies*" (RG-T3575).
- 2.12 The present operation is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenges of: (i) productivity and innovation, as it intends to foster low carbon and resilient investments that can contribute to expanding new clean and more efficient technologies and processes; and (ii) institutional capacity and the rule of law, as it enables national institutions to include vulnerability assessments in the design and execution of their projects. The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability as it provides support to countries in the region to reduce their greenhouse gas emissions, boost their resilience to climate impacts and improve their capacity to adapt to a changing climate. Likewise, the proposed TC is aligned with the IDB's Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (GN-2609-1) and its Action Plan (GN-2609-3). Finally, the operation responds to the objectives of the Ordinary Capital Strategic Development Program for Sustainability as it contributes to expanding the knowledge base on climate change mitigation aimed at leveraging climate investment; particularly through the focus area of strengthening institutional capacities. Additionally, the operation will contribute towards the goal of the Ninth General Capital Increase of the IDB (GCI-9), that establishes that 30% of its lending should include climate considerations, under the Bahamas Declaration, as it enables different mechanisms for climate change mainstreaming.

### **III. Description of Activities/Components and Budget**

- 3.1 Component 1. Sector specific analysis for LTS implementation (US\$165,000).** This component will support: (i) development of sector and economic studies to inform (a) decarbonization policy options that maximize benefits to citizens (including manageable costs for them), business and the government, and (b) post COVID sustainable recovery plans; and (ii) stakeholder engagement processes—including the private sector—to facilitate co-design of climate policy and facilitate integration in national development planning. The work will have a focus on ministries of finance, economic planning, and environment. Stakeholder engagement processes will make use of virtual tools and consider presential activities if the global health conditions improve. This component seeks to enable integration of decarbonization objectives in green recovery plans and new sectoral policies.
- 3.2 Component 2. Investment planning for LTS implementation (US\$250,000).** This component will support: (i) the design of investment plans and strategies to inform financing approaches to deliver climate objectives defined under LTS or updated NDCs; and (ii) stakeholder engagement processes—including the private sector—to facilitate the co-design of investment plans and financing strategies to enhance integration in national development planning and build wider ownership and feasibility of implementation. The work will have a focus on ministries of finance, economic planning, and environment. Stakeholder engagement processes will make use of virtual tools and consider presential activities if the global health conditions improve. This component seeks to support development of investments plans that can inform alignment of public and private finance to decarbonization and sustainable development objectives.
- 3.3 Component 3. Knowledge dissemination of LTS implementation (US\$85,000).** The Bank will communicate lessons learned and practical recommendations to a wide regional and global audience of policymakers, academia, donor countries, and the public. This component will support: (i) development, typesetting, edition, and translation of IDB publications capturing lessons learned and best practices drawn from the activities in Components 1 and 2;<sup>8</sup> and (ii) design and delivery of events to disseminate experiences, lessons learnt and opportunities that arise from activities carried out in Components 1 and 2. Given the COVID-19 pandemic, these events maybe held virtually; the Bank has extensive experience with virtual workshops and guarantees their feasibility. It will also fund social media campaigns, and the participation of experts and government officials in dissemination events if the global health conditions improve and such events can take place again after 2020. This component seeks to strengthen knowledge and capacity across the region to inform practical tools and approaches for implementation of LTS and NDCs, integrated with sustainable development objectives.
- 3.4** The total cost of the operation is US\$500,000, which will be financed with resources from the Ordinary Capital Strategic Development Program for Sustainability (SUS).

**Indicative Budget (US\$)**

<b>Activity/Component</b>	<b>IDB/Fund</b>	<b>Total</b>
Component 1. Sector specific analysis for LTS implementation	165,000	165,000
Component 2. Investment planning for LTS implementation	250,000	250,000
Component 3. Knowledge dissemination of LTS implementation	85,000	85,000

<sup>8</sup> The publications will be published online through IDB existing websites, including NDC Invest site. Physical copies might also be generated, pending on evaluating the need to share at presential events, should these take place again if the global health conditions improve.

	Total	500,000	500,000
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#### IV. Executing Agency and Execution Structure

- 4.1 The types of activities to be performed and the extensive experience of the IDB on the LTS and NDC design, public policy and institutional capacity development, and expertise both in climate change and public planning—including extensive work with ministries of environment, finance and planning— position the IDB as the ideal executing agency for this operation. The project will leverage synergies and complementarities with IDB operations, research, and in-house expertise in using prospective models and decarbonization pathways to inform NDC and LTS planning and implementation. Additionally, due to the regional nature of this TC and since it is originated at the initiative of the Bank, in accordance with Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the Bank will act as the executing agency.
- 4.2 The IDB will carry out the execution activities through CSD/CCS, which will be responsible for the operation's supervision, disbursements and procurement. In addition, CCS will coordinate with other IDB departments, and liaise with other key initiatives such as *"Strengthening Resilience in Latin America and the Caribbean"* (RG-T3657), *"Informing the Design of Long-Term Decarbonization Strategies"* (RG-T3575), as well as with the United Kingdom's Sustainable Infrastructure Program Fund and the NDC Pipeline Accelerator Multi-Donor Trust Fund, to guarantee synergies and avoid overlaps.
- 4.3 The Bank will follow its procurement policies and guidelines related to contracting processes: (i) individual consultants will be hired according to the guidelines established in policy AM-650; (ii) consulting firms of an intellectual nature will be hired according to the *"Policy for the selection and contracting of consulting firms for operational work carried out by the Bank"* (GN-2765-4) and its Operational Guides (OP-1155-4)<sup>9</sup>; and (iii) other non-consulting services in accordance with the "IDB Institutional Procurement Policy" (GN 2303 28).
- 4.4 Prior to the start of execution activities of the three components of the TC in any beneficiary country, a non-objection letter will be obtained from the official liaison entity with the Bank in the respective country.

#### V. Project Risks and Issues

- 5.1 Countries in the region are advancing the design of LTS in response to the invitation under the PA to present them in 2020. However, the pandemic and subsequent economic crisis may cause countries to reduce the ambition of their LTS and cause delays in the design and communication of the LTS to the UNFCC.
- 5.2 This might pose a risk of slow progress in 2020 to develop some of the activities under Components 1 and 2. To mitigate this risk, work will kickstart with countries where LTS design is advanced and we will seek synergies with the NDC update

<sup>9</sup> Two single source selection contracts are anticipated under Component 3. This is justified because it will build upon *Libélula Gestión en Cambio Climático y Comunicación's* previous experience in developing the materials for the versions of the annual LEDS-LAC workshop, the latest one which was also supported by the IDB. The 2020 and 2021 events will continue to strengthen the knowledge on NDCs and LTS design and implementation for practitioners across countries in LAC. Previous experience and wide support from the LEDS LAC steering committee makes Libelula uniquely qualified for this project. In addition, this contract is for a small amount (lower than \$100,000).

process that the majority of countries in the region are also undertaking during 2020. Furthermore, dissemination activities will be prioritized in 2020 to share knowledge and tools available to government to advance public policy and institutional planning for LTS design and their role to contribute to a green recovery. Events will be held virtually, if the global health conditions improve in 2021, presential events might be considered.

- 5.3 The risk on ambition, could result in low quality of the LTS and impossibility to inform development of investment plans based on the information defined in the LTS, or updated NDCs. To mitigate this risk the team will seek to prioritize countries for support with LTS or updated NDC that fulfill the criteria defined in paragraph 2.10; this criteria is also used by the IDB when supporting the design of LTS and NDCs with other operations and activities, thus at the very minimum countries that received support from IDB on LTS and NDC design will be able to fulfill this criteria to enable support on LTS implementation.
- 5.4 Given the COVID-19 emergency, it is also possible that this operation faces challenges in securing participation of ministers of finance and planning, and other stakeholders, particular for the delivery of activities 1 and 2. To mitigate this risk, work will seeks to provide inputs and linkages to post-COVID recovery plans, supporting a green recovery approach.

## **VI. Exceptions to Bank Policy**

- 6.1 There are no exceptions to Bank policy.

## **VII. Environmental and Social Classification**

- 7.1 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 [Safeguard Screening Form](#)).

### **Required Annexes**

[Results Matrix\\_20890.pdf](#)

[Terms of Reference\\_72613.pdf](#)

[Procurement Plan\\_30553.pdf](#)