

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Accelerating Climate Resilience in the Caribbean
▪ TC Number:	RG-T3286
▪ Team Leader/Members:	Baxter, Sasha Alexis (CCB/CCB) Team Leader; Aiello, Roberto Gabriel (INE/ENE) Alternate Team Leader; Doherty Bigara Rodriguez, Jennifer (CSD/CCS) Alternate Team Leader; Baltodano Carrasquilla, Fabiola (INE/ENE); Delgado Davara, Jose Luis (ITE/IPC); Esquivel Gallegos, Maricarmen (CSD/CCS); Greco, Maria Sofia (LEG/SGO); Jainauth-Umrao, Naveen (VPC/FMP); Jordan, N. Maria (CCB/CCB); Kamau, Musheer Olatunji (CCB/CJA); Marquez Barroeta, Fidel (INE/ENE); Mentis, Alan Wilfred Mortimer (CCB/CCB); Simpson, Avagay Suzanne (CCB/CJA); Richardson Ebanks, Natasha Ann Bigara Rodriguez, Jennifer (CSD/CCS) Alternate Team Leader; Delgado Davara, Jose Luis (ITE/IPC); Esquivel Gallegos, Maricarmen (CSD/CCS); Greco, Maria Sofia (LEG/SGO); Jainauth-Umrao, Naveen (VPC/FMP); Jordan, N. Maria (CCB/CCB); Kamau, Musheer Olatunji (CCB/CJA); Marquez Barroeta, Fidel (INE/ENE); Mentis, Alan Wilfred Mortimer (CCB/CCB); Simpson, Avagay Suzanne (CCB/CJA); Richardson Ebanks, Natasha Ann Maricarmen (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	10 Mar 2021.
▪ Beneficiary:	Caribbean member Countries: The Bahamas, Barbados, Jamaica, Guyana, Suriname and Trinidad and Tobago
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Infrastructure(INF); OC Strategic Development Program for Sustainability(SUS)
▪ IDB Funding Requested:	OC Strategic Development Program for Infrastructure (INF): US\$350,000.00 OC Strategic Development Program for Sustainability (SUS): US\$350,000.00 Total: US\$700,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	Oct. 01, 2021
▪ Types of consultants:	Firms and Individual
▪ Prepared by Unit:	CCB-Caribbean Group
▪ Unit of Disbursement Responsibility:	CCB/CJA-Country Office Jamaica
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Economic integration; Environmental sustainability; Productivity and innovation

### II. Objectives and Justification of the TC

- 2.1 The general objective of this TC is to finance technical assistance for multi-sectoral interventions related to accelerating resilient and climate smart investments in the Caribbean region. Specifically, the TC aims to support the formulation and

coordination of strategic development projects and programs that are aligned with the Caribbean department strategy<sup>1</sup> of promoting smart and resilient investments.

- 2.2 With an estimated current population of 43,732,088 approximately 0.56% of the total world population, limited land and fiscal space, infrastructure challenges and large swathes of the population situated near the coast, Caribbean islands are already experiencing negative physical, social, and economic impacts from climate change, predominantly in form of loss of land space, damage and threats to infrastructure and potable water supplies, disruptions to communities, life and livelihood from floods, rising sea levels and natural disasters, impacts to the agriculture, fishing and tourism sectors. These negative impacts of climate change are compounded by the Caribbean's vulnerability to natural disasters, particularly hurricanes, flooding, and volcanic activity and increasing their limited access to financing opportunities.
- 2.3 Climate models project dire consequences for small islands as global temperatures rise. Temperature increases exceeding 1.5°C above pre-industrial levels will result in increased water stress, more intense rainfall during tropical cyclones and increased exposure to irreversible sea level rise (IPCC 2018). The SRES A1B medium emissions scenario suggests about a 1.8°C to 2.3°C median annual increase in surface temperature in the Caribbean Sea and Indian and Pacific Ocean small islands regions by 2100 compared to a 1980–1999 baseline, with an overall annual decrease in precipitation of about 12% in the Caribbean and a 3 to 5% increase in the Indian and Pacific Ocean small island regions. Comparative projections for the new RCP4.5 scenario suggest about a 1.2°C to 2.3°C increase in surface temperature by 2100 compared to a 1986–2005 baseline and a decrease in precipitation of about 5 or 6% in the Caribbean and Mediterranean, respectively, signaling potential future problems for agriculture and water availability compared to a 1 to 9% increase in the Indian and Pacific Ocean small islands regions. It is against this background of present and future vulnerability to climate change that the Caribbean Community (CARICOM) and other small island developing states (SIDS) mooted the slogan “1.5 to Stay Alive.” The threshold of 1.5°C, it is argued, represents the global mean end-of-century temperature change with respect to preindustrial times which must not be exceeded if Caribbean life is to remain “viable.”
- 2.4 Limiting the impact of climate change is necessary to achieve sustainable development and equity, including poverty reduction and long-term economic growth in the region (IPCC, 2014). There is now a global consensus that climate change presents an urgent challenge to all countries' well-being, and that effective climate action requires a two-pronged response— adaptation to manage the unavoidable, and mitigation to avoid the unmanageable”. A major challenge for countries resides in the implementation gap to achieve their resilience and mitigation targets, stated in their Nationally Determined Contributions (NDCs), and alignment with development strategies and investment priorities. The lack of capacity to prepare bankable projects for investment is now combined with the need to ensure their portfolio is aligned to the Paris Agreement.

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<sup>1</sup> Build Forward is a sub-regional strategy of Vision 2025 for the Caribbean. It is a delivery-oriented initiative aimed at helping Caribbean countries define Sustainable Development pathways for their transformation in a smart and resilient manner.

- 2.5 Caribbean governments have committed to the Paris Agreement and have acknowledged the importance of addressing the region's vulnerability to climate change and natural disasters; reducing GHG emissions; prioritization of plans, programmes and projects aimed at climate change mitigation and adaptation including the development of resilient, low carbon and smart investments and that accelerating climate change adaptation is a human, environmental and economic imperative. However, they are constrained in their ability to effectively and efficiently, respond, implement, and adopt measures aimed at mitigation, adaptation, and disaster risk management, by several barriers. These barriers include monetary/fiscal constraints, limited access to funding and technical resources, capacity and skill set gaps at the levels of the private and public sectors, weaknesses in the investment and enabling environment, weak project attractiveness and bankability and implementation gap based on their resilience and mitigation targets, stated in their respective NDCs, and alignment with development strategies and investment priorities.
- 2.6 The climate challenges of the region, exacerbated by an increasingly erratic hurricane season and the COVID-19 health pandemic, have furthermore catalyzed the need to invest in sustainable, future-forward resilient infrastructure. The Caribbean Country Department, in collaboration with its VPS counterparts in Climate Change and Sustainable Development (CCS) and Infrastructure and Energy (INE) Departments, have created the Build Forward Initiative. Build Forward is an ambitious program that aims to help countries recover sustainably from disasters by using innovative technologies and employing strategic, sustainable thinking. Countries and the private sector will be able to access a multi-donor facility to support initiatives including national investment plans, project banks, advisory services, project prototypes, and region-wide projects, for a climate development, aligned to the Paris Agreement.
- 2.7 In supporting countries to identify and develop bankable, smart, and resilient projects, the Bank through its partner the Caribbean Climate- Smart Accelerator (CCSA) will provide advisory services on project structuring. The CCSA is a partnership between a group of 27 Caribbean countries, large global private sector, financial institutions, and philanthropic foundations. The CCSA will act as an intermediary with clients, potential financiers, and technical experts, helping to facilitate the development of bankable investment proposals. They will also help to tackle another important challenge in the climate finance context- the general lack of coordination and funding fragmentation among donors, which hampers the impact on the ground.
- 2.8 As part of their climate change strategy, regional governments, regional organisations such as CARICOM, the IDB and its partners have all placed increased emphasis on the development of initiatives, projects and programs aimed at reducing the barriers, improving, and accelerating the region's disaster response and promoting investments and projects in certain sectors that have a climate change impact (via mitigation, prevention and/ or adaptation). They have also recognized that the success of the initiatives, programs and projects depends in no small measure on its bankability and the availability of financial and technical resources and support.
- 2.9 The preparation of the studies to be done under the TC will provide valuable inputs to existing pipeline operations under consider for 2021 & 2022. In addition, the inputs developed under the TC will be used to develop new pipeline through the project bank. The operations identified will be aligned with the department's subregional Build

Forward strategy and will be prioritized. The team will coordinate with the various sector departments to ensure alignment with sector and country needs, as well as synergies with existing initiatives in VPS. The outputs from the TC will not only support the identified pipeline but also provide advisory services to governments to drive wider multi donor and private sector support for resilient projects. Given the overall purpose of the proposed TC of supporting building resilience in Caribbean countries, the project will be related to supporting both IDB member countries and non-member countries in the Caribbean. The bulk of the proposed financing is directed towards activities that will provide common benefits to all CARICOM countries in such a way that there is little or no marginal cost attributable to the participation of IDB non-members. The portion of the proposed financing that could arguably be said to be directed to non-IDB member countries represents a de minimis amount of the total financing.

- 2.10 The TC is consistent with the Second Update to the Institutional Strategy (AB3-190-2), and is aligned with the development challenges of: (i) productivity and innovation, as it enables the identification of climate-related opportunities through the development of a project bank, and the studies proposed will assist borrowing member countries create climate smart solutions for mitigation, environmental sustainability, adaptation issues and renewable energy; and (ii) institutional strengthening through collaboration with the private sector will support economic integration, since the goal of the operation is to create climate-smart solutions across multiple sectors, creating growth and development opportunities across the region and when suitable, economic integration between countries. Additionally, the operation is aligned with the cross-cutting theme of climate change and environmental sustainability, as it contributes to identify and promote climate smart investments, reduce the exposure of infrastructure and natural capital investments to climate change risks, through the provision of data and information to improve project design via its advisory services. The TC is aligned with objective 1<sup>2</sup> of the Ordinary Capital Strategic Development Program for Sustainability (SUS) and objective 2<sup>3</sup> of the Ordinary Capital Strategic Development Fund for Infrastructure (INF). It is also aligned with the six CCB Country Strategies; the Bank's Vision 2025: Reinvest in the Americas: A Decade of Opportunity (GN-3025-5); and aligned with indicator 22 of the IDB Contributions to Development Results of the IDB Group Corporate Results Framework, 2020-2023 (GN-2727-12), as it aims to support countries to achieve their renewable energy targets set in their NDCs.
- 2.11 This operation complements other IDB operations that support the building of resilience in the region through the implementation of NDCs and the identification of relevant pipeline operations. It will benefit from the experience gained in the execution of other similar technical cooperation operations (ATN/MC-18190-RG and ATN/OC-18191-RG International Climate Finance in Latin America and the Caribbean) and (ATN/AC-18143-RG and ATN/OC-1814-RG Strengthening Resilience in Latin America and the Caribbean), both of which seek to support countries to develop resiliency plans in line with the NDCs and the develop resilient pipeline projects. This TC will support the knowledge building efforts in the Caribbean and

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<sup>2</sup> SUS objective 1 "expand the knowledge base on climate change mitigation, adaptation, and sustainable energy geared towards leveraging climate investment"

<sup>3</sup> INF objective 2 "promote greater investment in the region's infrastructure sector and enhance the performance, quality, and sustainability of infrastructure services."

support the development of pre-investment studies that can result in future pipeline operations.

### III. Description of activities/components and budget

- 3.1 **Component I: Generation of studies that will support resilient interventions and pipeline development (US\$550,000).** This component will finance studies that will support the interventions related to smart, low carbon and resilient investments that support climate change mitigation and adaptation in Caribbean countries. The activities under this component include (i) a consultancy for the assessment of the Caribbean NDCs and investment potential in key sectors; (ii) a technical note focused on a pilot of greening exports; (iii) a report on the resilience scorecard that will help countries identify areas where they should prioritize their investment and innovation to build resilience; and (iv) the development a prioritized pipeline of projects, which includes developed project profiles, together with regional organizations such as CCREEE/CARICOM. The studies will facilitate concrete bankable investment proposals, and the required enabling environment measures, in fields such as: renewable energy, energy efficiency, sustainable urban transport and mobility, climate-resilient water, wastewater, and stormwater systems, Early warning systems. Divisions from the INE and CCS sectors will be invited to participate and lead on technical aspects.
- 3.2 **Component II: Support for advisory services and the knowledge sharing (US\$150,000).** This component will finance activities related knowledge sharing, capacity building and dissemination activities. The main activities relate to (i) the initial advisory services component of the IDB Caribbean subregional strategy- Build Forward- including the identification of resilient projects that can be financed under the expected multi donor facility (ii) the creation of a virtual hub for dissemination activities and an investor marketplace; and (iii) a technical note on the lessons learned from funding and implementation of technical studies describes in component 1 including the development of the pipeline of projects and virtual hub. Knowledge sharing will be supported by both institutions as IDB capitalizes on the private sector network of the CCSA and CCSA learns from the ongoing efforts of the climate division. Knowledge dissemination activities for the studies and reports on relevant projects related to sustainable infrastructure and all projects carried out by CCSA and in collaboration with IDB Group will be available on a virtual hub which aids transparency to the wider Caribbean community.
- 3.3 The total cost of the operation is US\$700,000, of which 50% will be financed with resources from the Ordinary Capital Strategic Development Program for Sustainability (SUS); and 50% from the Ordinary Capital Strategic Development Fund for Infrastructure (INF).

Indicative Budget

Activity/Component	Description	INF Funding	SUS Fund Funding	Counterpart Funding	Total Funding
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Component 1	Consultancy climate studies	\$0.00	\$350,000	\$0.00	\$350,000
	Design of resiliency scorecard	\$100,000	\$0.00	\$0.00	\$100,000
	Pipeline of Projects	\$100,000	\$0.00	\$0.00	\$100,000
<b>Sub-total</b>		<b>\$200,000</b>	<b>\$350,000</b>	<b>\$0.00</b>	<b>\$550,000</b>
Component 2	Knowledge sharing and dissemination activities	\$70,000	\$0.00	\$0.00	\$70,000
	Technical Note on Implementation activities	\$30,000	\$0.00	\$0.00	\$30,000
	Virtual Hub	\$50,000	\$0.00	\$0.00	\$50,000
<b>Sub-total</b>		<b>\$150,000</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$150,000</b>
<b>Total</b>		<b>\$350,000</b>	<b>\$350,000</b>	<b>US\$0.00</b>	<b>\$700,000</b>

#### IV. Executing agency and execution structure

- 4.1 Due to the regional nature of this TC and since it is originated at the initiative of the Bank, in accordance the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the IDB, through the Caribbean Department and IDB Country Office Jamaica, will be responsible for the execution of this TC. The TC will be executed in close collaboration with the specialists in Energy Division (INE/ENE) and Climate Change Division (CCS/CSD). The Bank has extensive experience in the preparation of projects that utilize several sources of international climate financing, which positions the IDB as the ideal executing agency for this operation. Given that the proposed TC is Regional, IDB is best positioned to facilitate effective execution and coordination with multiple stakeholders and donors in the region. IDB will contract CCSA for the execution of the activities identified under each component, taking advantage of CCSA's extended reach into CARICOM countries, private sector network and previous work experience in these activities. This procurement will be done in accordance with the policy of GN-2765-4 for single source selection given the firm's experience in the region, a continuation of previous work and their convening ability to work with other regional entities. The CCSA will be contracted under SSS to carry out the assessments in component 1 as they are a regional climate organisation and acts as a convening body. They will work along with other regional entities in accessing data and producing the studies and reports. The consulting firm has worked with a group of experts from other regional organisations to prepare an initial structure for resiliency scorecard. This will build on that existing work and transfer ownership. In keeping with the Build Forward Initiative announced, CCSA will be contracted under SSS as the consulting firm will provide advisory services entirely within their expertise.

- 4.2 The Bank, as the convening partner, will work with the Caribbean Climate-Smart Accelerator in execution of the activities. The partnership between CCSA and IDB aims at (i) improving the coordination of technical assistance and capacity development at the regional level, avoiding funding fragmentation, to broaden the impact and to more effectively enable city administrations to identify and access most suitable financing for their low-carbon and climate resilient development projects; and the (ii) strengthening of the role of cities in the international climate change agenda, by developing workable financing solutions for cities to become effective actors in mitigating GHG emissions and improving climate resilience. This partnership intends to develop a long-term financing relationship with the CCSA and its partners.
- 4.3 Prior to the start of any activity in a member country of the Bank, a letter of non-objection will be requested from the relevant authorities in the country.
- 4.4 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” (GN2765-4) and its Operational Guides (OP-1155-4); and (iii) other non-consulting services in accordance with the Corporate Procurement Policy (GN 2303 28).

#### **V. Major issues**

- 5.1 The main risks that may affect the results of the operation include: (i) institutional weaknesses and low technical capacity of governments/ private sector to implement proposed interventions which may hinder ability to execute projects in project bank. To mitigate the above-mentioned risk specific areas of intervention will be prioritized where beneficiary countries have previous experience and demonstrate clear ownership; (ii) On the private sector side, many clients and projects require upstream support before they are prepared to take on financing which may impact viability of the project bank. IDB and CCSA in collaboration with IDB Invest will work with the private sector firms from inception to build firm capacity, structure projects and support execution; (iii) COVID-19 related risks: due to the impacts of the ongoing health pandemic, the project team may encounter delays in receiving information, data or participation and feedback from government, private sector, and beneficiaries. To manage this risk, the Bank will host virtual sessions to guide, train and sensitize clients during execution of the TC; (iv) Coordination risk due to multiple donors and stakeholders which can impact implementation of studies and provision of advisory services under Component II. This can be mitigated by frequent dialogue and communication efforts with the relevant stakeholders and the sharing of information via the hub.

#### **VI. Exceptions to Bank policy**

- 6.1 There are no exceptions to Bank policy.

#### **VII. Environmental and Social Strategy**

- 7.1 Per the Environment and Safeguards Compliance Policy of the Bank (OP703), the operation has been classified as “Category C”, thus no environmental assessment studies or consultations are required. For further details please refer to the TC’s Safeguard Policy Filter ([SPF](#)) and Safeguard Screening Form ([SSF](#)).

**Required Annexes:**

[Results Matrix - RG-T3286](#)

[Terms of Reference - RG-T3286](#)

[Procurement Plan - RG-T3286](#)