

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Financing the Design and implementation of Nationally Determined Contributions (NDCs)
▪ TC Number:	RG-T3283
▪ Team Leader/Members:	DELGADO, C. RAUL (CSD/CCS) Team Leader; BRUSA, FEDERICO (CSD/CCS); LOPEZ TOVAR, SANDRA (CSD/CCS); ANGEL GOMEZ, ANGELO EDUARDO (CSD/CCS); FERRO CORNEJO, PAMELA (CSD/CCS); BRAKARZ, BARBARA (CSD/CCS); FERNANDEZ-BACA, JAIME (CSD/CCS); RAMIREZ RAMIREZ, GMELINA JULIANA (CSD/CCS); TAPIA BONILLA, MARIA (CSD/CCS); MEIROVICH, HILEN GABRIELA (INO/NFP); GOMEZ, JUAN CARLOS (CSD/CSD); COLONNA URDANETA, MAURIZIO (CSD/CCS); SAAVEDRA GOMEZ, VALENTINA (CSD/CCS); VISCONTI, GLORIA (CSD/CCS); NEGRET GARRIDO, CESAR ANDRES (LEG/SGO); JARAMILLO GIL, MARCELA CRISTINA (CSD/CCS); LOPES PEREIRA DE MELO, ALOISIO (CSD/CCS); SAMAYOA, JORGE OMAR (CSD/CCS); BAUTISTA MARTINEZ, OLGA LUCIA (CSD/CCS); EGUINO, HUASCAR (IFD/FMM); ALEJOS MARROQUIN, LUIS ALEJANDRO (IFD/FMM)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	07 Feb 2019
▪ Beneficiary:	Latin America and Caribbean IDB Member Countries
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 1,000,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Climate Change & Sustainability
▪ Unit of Disbursement Responsibility:	Climate Change & Sustainable Development
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Environmental sustainability

II. Objective and Justification

- 2.1 The objective of this TC is to consolidate and expand activities developed under the "NDC Programmer" component of NDC Invest in LAC countries and to strengthen the Bank's agenda with countries in the region to help align financial resources with the objectives of the Paris Agreement, including aligning public planning and investment activities; including the creation of enabling environments and financial instruments that can unleash investments at scale for Nationally Determined Contributions (NDCs) design and implementation.
- 2.2 After the achievement of the Paris Agreement on climate change and its rapid entry into force in 2016, countries in LAC are accelerating efforts to implement the NDCs. The Bank has been delivering support to this end through the RG-T2713 "Financing Implementation of Intended Nationally Determined Contributions". Although, at first it took time for countries and all relevant actors to understand the implications of implementing their NDCs, gradually actions have been increasing. This slow start had an impact in the initial execution of resources under the RG-T2713, however activities with many countries are now under way and to the date of the submission of this new TC, 99% of its resources are either disbursed or committed to ongoing contracts, it's expected that full disbursement will be completed in 2019. Thus, new resources are now needed to meet the growing demand for support. Some examples of current new

requests include: cost-benefits analysis for Costa Rica, alignment of public expending to the NDCs in Dominican Republic and Jamaica, NDC regional implementation in Mexico and Colombia, and revision of Surinam's current NDC. Through IDB's experience supporting NDC implementation in the region, it became apparent that gaps in the design of the first NDCs are hindering its implementation, including gaps in NDC integration into national development and cross-sectorial ownership; lack of robust evidence-based decision making and development of project pipelines; weak signals and lack of financial instruments to guide investments for NDC implementation; and limited institutional capacity. Building on the need to close these gaps, this TC has a twofold approach to scale up NDC implementation. First, it will work to strengthen the Bank's agenda with ministries of finance and planning to identify and evaluate public expenditure in line with the Paris Agreement, given their critical role in guiding cross-sectoral investments and enabling the conditions for private investments; second, it will deliver targeted support to bottleneck areas for NDC design and operationalization, including: robust analysis for new NDC targets definition, development of long term decarbonization plans, financial strategies and investments plans, NDC vertical integration, disaster and climate risk assessments for public investments and development of transparency and tracking systems. This TC will collaborate with other on-going projects at the IDB such as "Climate Risk: Identification, Management and Opportunities" (ATN/MC-15636-RG), "Climate Change and Civil Society" (ATN/OC-15989-RG), the NDC Pipeline Accelerator Multi-Donor Trust Fund and the UK Sustainable Infrastructure Program, as all these support activities linked to NDC Invest. The operation is consistent with the Updated Institutional Strategy (UIS) 2010 2020 (GN 2788-5) and is aligned with the development challenge of productivity, and innovation and with the cross-cutting theme of climate change and environmental sustainability. This TC contributes to strengthen technological and managerial tools to improve public service delivery in Government agencies. Additionally, the operation will contribute towards the Ninth General Capital Increase (GCI-9) 30% lending target under the Bahamas Declaration. Likewise, the proposed TC is aligned with the IDB's Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable Renewable Energy (GN 2609 1) and its Action Plan (GN-2609-3).

III. Description of Activities and Outputs

- 3.1 Activities under component 1 are intended to strengthen institutional capacity to facilitate the integration of climate and sustainable considerations into related public investments planning and operation, including the following areas: (i) methodology to identify and evaluate public expenditure considering NDC objectives , (ii) identification of NDC priorities and synergies with national development plans and Sustainable Development Goals, with a specific focus on sustainable infrastructure; (iii) support the design and identification of investment portfolios aligned to the NDC targets, including analysis to considerate climate risk and resilience in public investments; (iv) assessments for the design and implementation of fiscal policy instruments.
- 3.2 Under the component 2, the activities will focus in the (i) Development of analysis to define new or updated NDCs targets; (ii) Formulation of long-term strategies for decarbonization. (iii) Development of financial strategies and investments plans for implementation of climate priorities; (iv) Development of NDC vertical integration approaches; (v) Application of guidelines to ensure quality in the design and implementation of projects and programs; (vi) Support the development systems and mechanisms to track and report on the implementation process of NDCs.
- 3.3 With component 3 the team proposes to (i) Carry out research and publish the results on best practices to facilitate the translation and inclusion of NDC priorities into public planning and investment instruments; (ii) Dissemination and socialization of key lessons and results at regional and international levels; (iii) Support peer to peer exchange of experiences on NDC implementation.

- 3.4 **Component I: NDC technical expertise to align public finance and NDCs.** Strengthen the planning and institutional capacity of national institutions to facilitate the integration of climate and sustainable considerations into public budgeting and investment.
- 3.5 **Component II: Robust design and operationalization of NDCs.** Engaging governments and other stakeholders on investments opportunities and financing approaches for NDC effective design and implementation
- 3.6 **Component III: Outreach and dissemination.** Sharing results and best practices among stakeholders and clients

IV. Budget

Indicative Budget			
Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
NDC technical expertise to align public finance and NDCs	\$ 300,000.00	\$ 0.00	\$ 300,000.00
Robust design and operationalization of NDCs	\$ 600,000.00	\$ 0.00	\$ 600,000.00
Outreach and dissemination	\$ 100,000.00	\$ 0.00	\$ 100,000.00

V. Executing Agency and Execution Structure

- 5.1 Given the regional nature of the TC, the IDB will be the executing agency for the operation through its Climate Change Division (CSD/CCS), which will take responsibility for its supervision, disbursements and procurement. Additionally, CCS will coordinate with other IDBG departments and liaise with other key initiatives and stakeholders involved in designing, implementing and financing NDCs to ensure synergies and avoid overlap.
- 5.2 The Bank will be the executing agency on the basis of its technical and operational capacity and the need to centralize the coordination of activities when clients request support in the design and implementation of their NDCs. Furthermore, this proposed TC builds upon experiences and lessons learned from the ongoing TC RG-T2713 "Financing Implementation of Intended Nationally Determined Contributions". The execution by the Bank will ensure a natural continuation of current activities implemented under RG-T2713 and the harmonization of interventions in the assisted countries.

VI. Project Risks and Issues

- 6.1 There might be some resistance to move forward with the implementation phase of NDCs, particularly with a strong role for ministries of finance, given that some NDCs in LAC may have not been prepared with their support and that addressing climate change remains perceived as an agenda of ministries of environment. To overcome this, the TC will build upon engagement already advanced with ministries of finance across the region through the TC RG-T2713. Furthermore, component 1 will provide the basis and tools to facilitate engagement with ministries of finance with a tailored focus to support relevant areas under the operation of this ministry in achieving their objectives whilst supporting the implementation of the NDCs; components 2 and 3 will capture knowledge and identify solutions, best practices and opportunities to facilitate further engagement in a more systematic way.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".