

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	International Climate Finance in Latin America and the Caribbean
▪ TC Number:	RG-T3651
▪ Team Leader/Members:	Visconti, Gloria (CSD/CCS) Team Leader; Watkins, Graham George (CSD/CCS) Alternate Team Leader; Ferro Cornejo, Pamela (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Jaen Reynolds, Eduardo Bethelgeuse (CSD/CCS); Negret Garrido, Cesar Andres (LEG/SGO)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	25 Mar 2020.
▪ Beneficiary:	Countries in the LAC Region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Sustainability(SUS); Sustainable energy and Climate Change Multi-donor Trust Fund(MSC)
▪ IDB Funding Requested:	Sustainable energy and Climate Change Multi-donor Trust Fund (MSC): US\$300,000.00 OC Strategic Development Program for Sustainability (SUS): US\$300,000.00 Total: US\$600,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (Execution period):	36 months
▪ Required start date:	September 2020
▪ Types of consultants:	Firms and 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; Economic integration; Environmental sustainability

II. Objectives and Justification of the TC

- 2.1 The year 2015 represented a decisive moment for both the development and climate agendas. The adoption of the Paris Agreement set an unprecedented commitment to shift the current economic and social models towards a sustainable, resilient and zero-carbon development. The agreement included a bottom-up approach where countries were asked to submit their own commitments to limit global temperature rise to well below 2°C according to their national circumstances and priorities. These commitments are known as Nationally Determined Contributions (NDC), which in most countries in Latin-America and the Caribbean (LAC) also include actions to address adaptation to climate change.

- 2.2 Therefore, the success of the agreement requires sound implementation of the NDC. To achieve this, they need to be translated into concrete investment plans with funding strategies for key sectors, as well as sound pipelines of climate-friendly investments. These plans can create an enabling environment for scaling-up not only public but also private finance.
- 2.3 While globally climate finance has reached record levels (annual climate finance tracked in 2017 and 2018 crossed the half trillion-dollar mark for the first time worldwide), action still falls far short of what is needed under a 1.5°C scenario. Estimates of the investment required to achieve the low-carbon transition range from US\$1.6 trillion to US\$3.8 trillion annually between 2016 and 2050, for supply-side energy system investments alone (Intergovernmental Panel on Climate Change 2018), while the Global Commission on Adaptation (GCA 2019) estimates adaptation costs of US\$180 billion annually from 2020 to 2030 (Climate Policy Initiative (CPI), 2019)¹. Consequently, annual investment must increase many times over, and rapidly, to achieve globally agreed climate goals and initiate a truly systemic transition across global, regional, and national economies (CPI, 2019).
- 2.4 In addition to scaling up climate finance, it is also necessary to reduce new fossil fuel investments, which are not aligned with the Paris Agreement. Investments that lock in high-carbon emission pathways and lead to potential stranded assets, such as fossil fuel power generation and supply infrastructure, must be gradually phased out. Finance also needs to better factor in climate risks and avoid aggravating ecosystems' vulnerability to climate change (CPI, 2019).
- 2.5 Accordingly, the IDB has been a key partner to countries in LAC to access climate funds from different sources, both multilateral and bilateral allowing them to achieve their international commitments. For instance, during 2016-2020, the Climate Change Division of the IDB (CSD/CCS) has provided support to Mexico, Honduras, Brazil, Guatemala, and Peru in the process of gaining access to funds from the Climate Investment Funds (CIF), the Green Climate Fund (GCF), the Global Environment Facility (GEF), the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA), the International Climate Initiative (IKI), the Nordic Development Fund (NDF), among others (see a sample list of projects in [Appendix 1](#)).
- 2.6 Moreover, in 2016, CCS established the NDC Invest Platform with the aim to provide a single window and offer LAC countries financial and technical support for their NDC implementation. This platform has provided support to different countries in the region to update and increase the ambition of their mitigation and adaptation goals, develop investment plans and moreover, help them think beyond the timeline of their NDC —which need to be revised every five years— and envision long-term strategies for decarbonization.
- 2.7 Given its experience, the IDB is well positioned to continue and expand its support to countries in channeling multilateral and bilateral funds, keep on leveraging its own resources and catalyzing private sector participation to achieve sustainable, resilient and zero-carbon development. This operation can play a key role in the

¹ Buchner et al. [Global Landscape of Climate Finance 2019](#), CPI (2019).

provision of relevant support to countries so they can access resources to achieve these goals.

- 2.8 This TC aims at continuing to provide support to countries to access resources from different sources² (both multilateral and bilateral) by strengthening their capacities to (i) prioritize and design a strategic pipeline of projects for each country according to their national plans and needs and (ii) prepare project proposals that meet the investment criteria of each fund. By doing this, this operation seeks the goal to enabling and catalyzing investments towards net zero, climate resilient development, as well as to conserve essential natural resources which provide key local and global services.
- 2.9 By implementing the actions described in paragraph 2.8, this TC will contribute towards the goals of the IDB Group's Climate Change Action Plan and the Ninth General Capital Increase in particular as it will "assist borrowing countries in climate change mitigation and adaptation issues, sustainable and renewable energy". It will also increase overall resources mobilization and mainstream climate change and environmental sustainability both across the region and within the Bank in line with the overarching objective of sustainable growth of its Second Update of the Institutional Strategy and Objective 1 of the Ordinary Capital Strategic Development Program for Sustainability (SUS). In addition, this TC is aligned with the objectives of the Sustainable Energy and Climate Change Multi-Donor Trust Fund (MSC) as said fund seeks to increase clean energy investments and reduce vulnerability to climate change in LAC, contributing to the sustainability of the region. These funds are intended to finance the development and implementation of country level assessments, policy framework analysis and assistance for policy reforms required for investments in biofuels, renewable energy, and energy efficiency; finance activities related to project identification, preparation and capacity building; support for project developers with project preparation activities, mainstreaming climate change risk in country programming and project investments; take advantage of the new financing opportunities presented by a growing international carbon market; and investing in vulnerability reduction to climate change in infrastructure, agriculture and other vulnerable sectors³. Finally, it will strengthen South-South learning among LAC countries.
- 2.10 The TC 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 will assist borrowing member countries create climate smart solutions for mitigation, environmental sustainability, adaptation issues and renewable energy; and (ii) economic integration, since the ultimate objective of the operation is to create climate-smart solutions in different sectors, creating growth and development opportunities across the region and when suitable, economic integration between countries (for example in energy, water, forest management

² Including but not limited to multilateral funds such as the CIF, GCF, GEF, DEFRA, the Department for Business, Energy and Industrial Strategy of the U.K, IKI, NDF, Nationally Appropriate Mitigation Actions (NAMA), and bilateral funds with resources provided by UK, Canada, France, etc. Sample investment criteria for climate funds can be found [here](#).

³ These are all activities that could be financed during the execution of the TC as most of them could serve as supporting documents/activities for the preparation of projects or contribute to identify pipelines of projects to be financed by the Climate Funds to which the countries will submit proposals to access the funds.

projects, etc.). The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability, as it will support countries access climate funds for the development of mitigation and adaptation projects in different sectors (energy, agriculture, forestry and other land use, natural resources management, biodiversity, and infrastructure, among others). The operation aligns with the IDB Group Corporate Results Framework, 2020-2023 (GN-2727-12), specifically with indicator number 22 of the IDB Group Contributions to Development Results (Installed power generation capacity from renewable sources (MW)), as many countries have included actions for renewable energy in their NDC and climate funds aim at supporting them in achieving their international climate commitments.

- 2.11 This operation will build upon the experience gained in the execution of other related technical cooperation operations (ATN/NV-15195-RG and ATN/OC 15382 RG both on GCF Readiness Support for LAC) and coordinate with the team leading technical cooperation RG-T3657 —“Strengthening Resilience in LAC”— which seeks to support the development of a resilient pipeline of projects; and RG-T3658 —“Support to the Implementation of Long Term Strategies in LAC”— intended to support the implementation of LTS in order to identify potential synergies and achieve a stronger positive impact of these operations. For instance, the latter has provided support to the Government of Costa Rica to develop its National Decarbonization Plan, which identifies specific actions to be implemented such as the development of a mobility system based on safe, efficient and renewable public transport, and active and shared mobility schemes.⁴
- 2.12 As mentioned in paragraph 2.7, the Bank has already been leveraging its own resources for proposals that have been submitted to climate funds in the past. The new proposals submitted under this technical cooperation will continue this trend and include blended finance whenever suitable and appropriate for the nature of the projects for which financing is sought.

III. Description of Activities/Components and Budget

- 3.1 **Component 1. Identification and prioritization of projects (US\$140,000).** The first component will support LAC countries in identifying, and prioritizing projects to be submitted to climate funds. Based on ad hoc diagnostic analysis or existing assessments such as the National Climate Change Communications (NCC), the Biennial Update Reports (BUR), NDC, NAMA, LTS, National Development Plans among others, the TC will provide support to countries to identify and prioritize a pipeline of projects. For this purpose, CCS will work systematically with operational teams in IDB Country Offices, government agencies and relevant stakeholders to map current priorities and financial needs for specific investments in LAC countries. This will also serve as a basis to create synergies with the IDB project pipeline. The result of this component will be a prioritized pipeline of projects to be formally submitted to climate funds.
- 3.2 **Component 2. Design of projects (US\$400,000).** This component will provide technical support to LAC countries in developing prioritized projects in their pipelines into full project proposals to be submitted to climate funds. Assistance will be provided to ensure that the proposed projects respond to the criteria of the funds, and that they can produce a strong transformational impact towards a net

⁴ [Government of Costa Rica \(2019\): Decarbonization Plan.](#)

zero-carbon and climate resilient development path. Participating LAC countries will benefit from the IDB's experience in structuring climate finance projects and applying innovative and efficient financial mechanisms. As a result, the TC beneficiaries will be able to access climate funds, leveraging climate finance and scaling-up climate investments.

- 3.3 **Component 3. Execution, monitoring and evaluation (US\$60,000).** Under this component a consultant will be hired by CCS to serve as the main coordination point of the TC between HQ and the COFs; to provide periodic follow-up of activities; to be aware of any political/legal issues that may arise in beneficiary countries and that could affect the planned implementation of the TC; to prepare new or existent TOR of consultancies to be hired under this TC; to engage with local partners and stakeholders in beneficiary countries and to prepare reports on the progress of the TC to be submitted to Donors and/or internally at the Bank. The Single Source Selection Method will be used according to the Bank's policies.
- 3.4 The total cost of the operation is US\$600,000, of which 50% will be financed with resources from the Ordinary Capital Strategic Development Program for Sustainability (SUS); and 50% from the Sustainable Energy and Climate Change Multidonor Trust Fund (MSC).

Indicative Budget (US\$)

Component/Activity	MSC	SUS	TOTAL
Component 1. Identification and prioritization of projects (Activity: Meetings and missions to countries as needed and when possible).	30,000	0	30,000
Component 1. Identification and prioritization of projects (Activity: Identification of pipelines for projects aligned with the investment criteria of the climate funds).	110,000	0	110,000
Component 2. Design of projects (Activity: Development of supporting documents and activities for the preparation of the projects).	100,000	300,000	400,000
Component 3. Execution, monitoring and evaluation	60,000	0	60,000
Subtotal	300,000	300,000	600,000

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 with Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the Bank will act as the executing agency through CSD/CCS. The types of activities to be performed and the extensive experience of the IDB in the preparation of projects that utilize several sources of international climate financing, position the IDB as the ideal executing agency for this operation.
- 4.2 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 "IDB Institutional Procurement Policy" (GN 2303 28).
- 4.3 This TC will be executed by CSD/CCS, which has dedicated teams of specialists in climate change, gender and diversity, climate finance, public private

partnerships as well as in sustainable infrastructure projects. The TC will be executed according to each country demand, conducting specific tasks for each one of them, which will be executed/developed by consulting firms or individual consultants which will be supervised by the team leader.

- 4.4 CSD/CCS has the adequate structure and technical capacity to support countries in the LAC region access international climate funds. This will enable the identification and design of key projects to allow governments in the region meet their targets under the Paris Agreement and towards a net-zero carbon and climate resilient development.
- 4.5 Prior to the start of this operation's execution activities CCS will obtain the corresponding non-objection letters from the official national liaison agencies with the IDB in countries where such activities will take place under this TC.
- 4.6 Taking into consideration the current COVID-19 context and whenever necessary, missions will be replaced for webinars/online meetings to execute the activities under this TC. Moreover, this TC will accommodate the proposals to be submitted to climate funds according to priorities of the countries as they develop because of COVID-19. In fact, proposals will highlight co-benefits raised from proposed interventions that can help countries manage the pandemic such as biodiversity conservation, air quality, health, etc. according to each countries' context.

V. Major Issues

- 5.1 The main risk of this TC is that those projects prioritized and submitted are not approved by the external climate funds. The activities of the TC seek to mitigate this risk by ensuring that the submitted proposals comply with the specific investment requirements of each fund and are well designed taking advantage of the existent expertise of IDB operational divisions. An additional risk is the increased competition and multiple channels to access climate funds. The TC will promote the capacity and added value of the IDB and support the positioning of the Bank as a relevant partner for climate funds and LAC countries.

VI. Exceptions to Bank policy

- 6.1 This operation does not entail any exceptions to Bank policy.

VII. Environmental and Social Strategy

- 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 Screening Form](#) and the [Safeguard Policy Filter](#)).

Required Annexes

[Results Matrix_96269.pdf](#)

[Terms of Reference_55206.pdf](#)

[Procurement Plan_86105.pdf](#)