



## Technical Assistance Subproject Report

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Project Number: 52004-004  
Knowledge and Support Technical Assistance (C-KSTA)  
May 2019

# Supporting the Implementation of ADB's Climate Change Operational Framework 2017–2030 Subproject 2: Enhancing Financial Mechanisms to Develop Climate Actions of Developing Member Countries

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**Asian Development Bank**

### **ABBREVIATIONS**

ADB	–	Asian Development Bank
CCOF2030	–	Climate Change Operational Framework 2017–2030
DMC	–	developing member country
NDC	–	nationally determined contribution
PSOD	–	Private Sector Operations Department
SDCC	–	Sustainable Development and Climate Change Department
SDCD	–	Climate Change and Disaster Risk Management Division
TA	–	technical assistance

### **NOTE**

In this report, "\$" refers to United States dollars.

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## KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 52004-004</b>	
<b>Project Name</b>	Supporting the Implementation of ADB's Climate Change Operational Framework 2017-2030 - Enhancing Financial Mechanisms to Develop Climate Actions of Developing Member Countries (Subproject 2)	<b>Department/Division</b>	SDCC/SDCD
<b>Nature of Activity</b>	Capacity Development, Policy Advice	<b>Executing Agency</b>	Asian Development Bank
<b>Modality</b>	Subproject		
<b>Country</b>	REG (All DMCs)		
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ Finance	Finance sector development		0.80
		<b>Total</b>	<b>0.80</b>
<b>3. Strategic Agenda</b>		<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns	<b>ADB Financing</b>	
Regional integration (RCI)	Pillar 3: Money and finance	Adaptation (\$ million)	0.30
		Mitigation (\$ million)	0.50
<b>4. Drivers of Change</b>		<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Private sector development (PSD)	Promotion of private sector investment		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Regional	High
Household Targeting	No		
General Intervention on Poverty	No		
SDG Targeting	Yes		
SDG Goals	SDG5, SDG13, SDG17		
<b>6. Risk Categorization</b>		Risk Categorization does not apply	
<b>7. Safeguard Categorization</b>		Safeguard Policy Statement does not apply	
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
ADB		0.80	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.80	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>0.80</b>	
Currency of ADB Financing: USD			

## I. THE TECHNICAL ASSISTANCE SUBPROJECT

### A. Overall Progress of the Technical Assistance Cluster

1. The knowledge and support technical assistance (TA) cluster on Supporting the Implementation of ADB's Climate Change Operational Framework 2017–2030 (CCOF2030)<sup>1</sup> was approved by the President on 7 December 2018.<sup>2</sup> The CCOF2030, which was approved by ADB in 2017, provides the broad direction and guidance for enhancing resilience and strengthening climate actions in ADB's operations and business processes. The TA cluster will help boost the capacity of developing member countries (DMCs) for meeting their climate objectives by (i) assisting in refining and translating nationally determined contributions (NDCs) into climate investment plans, which may be implemented with assistance from the Asian Development Bank (ADB); (ii) improving DMCs' access to external public and private climate finance, including support for innovative financing mechanisms; and (iii) developing methods and approaches to establish baselines and monitoring tools for indicators to measure and gauge DMC progress on climate actions and ADB's contribution to these actions. The TA cluster is strongly aligned with ADB's institutional strategy, Strategy 2030, which was approved in July 2018 and highlights tackling climate change, building climate and disaster resilience and enhancing environmental sustainability as one of ADB's operational priorities, i.e., operational priority 3.<sup>3</sup>

2. By implementing the overall TA cluster, ADB will establish a dedicated NDC support platform ("NDC Advance") through which it will provide technical assistance to DMCs to help convert NDCs into bankable climate investment plans,<sup>4</sup> implement innovative financing mechanisms to mobilize finance for priority areas and projects under their NDCs, and monitor how they are meeting the objectives under their NDCs.

3. Three subprojects have been defined under the TA cluster: (i) Supporting Ambitious Climate Action through Implementation of Developing Member Countries' Nationally Determined Contributions (Subproject 1); (ii) Enhancing Financial Mechanisms to Develop Climate Actions of Developing Member Countries (Subproject 2); and (iii) Establishing Mechanisms to Measure, Monitor, and Report on Commitments made under the Paris Agreement (Subproject 3). TA subproject 1 and 3 have been approved on 1 March and 19 March 2019, respectively, and have started on the process of recruiting consultants.

4. Significant investments in low-carbon and climate-resilient infrastructure are needed across developing Asia, where ADB assessed the infrastructure gap to total \$26.2 trillion, or \$1.7 trillion annually, during 2016–2030.<sup>5</sup> To mobilize the needed investment, DMC governments must devise climate investment plans and develop climate projects that help mobilize financing from various sources, particularly the private sector. Finance is critical for the implementation of the mitigation and adaptation actions set out in countries' NDCs. However, most NDCs do not match climate actions with concrete financing mechanisms, including green bonds, project bonds, climate risk insurance, or guarantee facilities. Consequently, opportunities to mobilize financing

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<sup>1</sup> ADB. 2017. *Climate Change Operational Framework 2017-2030: Enhanced Actions for Low Greenhouse Gas Emissions and Climate Resilient Development*. Manila.

<sup>2</sup> ADB. 2018. *Supporting the Implementation of ADB's Climate Change Operational Framework 2017–2030*. Manila.

<sup>3</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>4</sup> "Bankable" means that investment plans are adequately costed, the risks are adequately assessed, the climate financing options and the rationale for climate financing are identified, and possibilities for private sector financing/co-financing have been appraised.

<sup>5</sup> ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila.

are not fully pursued, and the resulting lack in resources hampers climate action and undermines the achievement of NDC objectives. The TA subproject 2 will support the implementation of the CCOF2030 and ADB's operational priority 3 through the enhancement of financial mechanisms for developing climate actions of DMCs.

## **B. Subproject Outcome**

5. The TA subproject 2 will have the following outcome: capacities of selected DMCs to implement nationally determined contributions enhanced.<sup>6</sup> The TA subproject will directly support output 2 of the overall TA cluster.<sup>7</sup>

## **C. Subproject Outputs, Methods, and Activities**

6. The TA subproject will deliver on the following outputs:

7. **Output 1: Developing member country knowledge on public and private sources of climate finance improved.** This output will support selected DMCs in Asia and the Pacific in identifying relevant domestic and international climate finance sources to support low-carbon and climate-resilient infrastructure projects. To date, existing national climate finance vehicles have been primarily funded with domestic public funds. This involved raising new public resources to be committed as climate investments or repurposing existing public funds to go into low-carbon and climate-resilient projects. These resources are now complemented by a variety of international sources of public funding for climate finance. This output will review climate and green finance investment frameworks eligibility criteria for DMC-sponsored projects to access the multilateral climate funds. It will assess conditions needed in order to ensure effective institutional coordination and decision-making, and to match climate-compatible projects with finance flows, including access to capital markets to develop sector-specific financing plans. The review will include a classification of fund terms and conditions with criteria to review the NDCs (mitigation, adaptation, and climate and disaster risk management) for their climate finance investment potential. The output will review strategies to mobilize private sector finance for NDC implementation, in particular (i) identifying ways to mobilize private sector finance in the infrastructure sectors, (ii) creating private financing options for adaptation measures, and (iii) enhancing climate-proofing to crowd-in private investments and develop risk-management schemes. Related institutional capacities will be assessed, and the enabling environment for policy implementation and private sector engagement reviewed. Last, the output will include analysis of regional infrastructure investment strategies and hurdles to transboundary climate finance.

8. **Output 2: Innovative financing mechanisms to develop developing member country climate actions identified.** This output will review ADB climate finance best practice from the public and the private sectors, including an analysis of vehicles to catalyze private capital, such as direct project finance (lending, guarantees, syndications, and equity investments); blended

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<sup>6</sup> The design and monitoring framework of TA subproject 2 is in Appendix 1.

<sup>7</sup> The three subprojects collectively support the TA cluster objectives. Subproject 2 supports subproject 1 which has outcome level targets to deliver: (i) at least one completed climate investment plan endorsed by a DMC government and reflected in the country partnership strategy, and (ii) at least two climate change priority projects included in country operations business plans and their respective concept papers approved by ADB. Subproject 2 will provide the financing solutions needed to address the investment needs identified in subproject 1.

finance;<sup>8</sup> and public–private partnerships<sup>9</sup> or special investment vehicles.<sup>10</sup> Activities will be guided by, and build on, lessons and experiences of past and ongoing ADB technical assistance projects for identifying climate investment needs, and will be executed in coordination with relevant ADB departments, including ADB’s Private Sector Operations Department (PSOD) and the Finance Sector Group of the Sustainable Development and Climate Change Department (SDCC). This output will support TA subproject 1 in the identification of early stage financing strategies for the development of priority climate change mitigation and adaptation projects prioritized in the DMC climate investment plans. These strategies will review (i) public and/or private incentives for climate investments, which will lower the financial costs of such ventures; (ii) uniform standards on registration conditions and impact monitoring of such investments; and (iii) mechanisms to improve access to climate finance. Workshops to disseminate the results of analyses undertaken and reports prepared will be undertaken in the selected DMCs. These workshops will target officials in climate change departments of selected DMCs, along with Ministry of Finance officials and representatives from banking regulatory institutions.

#### **D. Subproject Cost and Financing**

9. The TA subproject is estimated to cost \$800,000, which will be financed on a grant basis by ADB’s Technical Assistance Special Fund (TASF-6). The key expenditure items are listed in Appendix 2.

#### **E. Subproject Implementation Arrangements**

10. The Climate Change and Disaster Risk Management Division (SDCD) of SDCC will lead the overall implementation of the TA subproject. Activities will be executed in coordination with relevant ADB departments, including ADB’s PSOD and SDCC’s Finance Sector Group. ADB will administer the TA subproject. The TA subproject will be implemented in four to six DMCs.<sup>11</sup> Selection of DMCs will be made in light of country eligibility criteria for TASF-6 funding, and in coordination with the activities related to TA subprojects 1 and 3. SDCC will select, administer, and evaluate consultants. TA subproject activities such as consultant engagement, including preparation of consultants’ terms of reference and review of consultants’ outputs, and conduct of workshops, conferences, and trainings; will be closely coordinated with operations departments, resident missions, and sector and thematic groups. Confirmation of no objection will be obtained from the selected DMCs, prior to the implementation of any activities financed by the TA subproject. The TA subproject will be implemented from May 2019 to March 2021.

11. The implementation arrangements are summarized in the table.

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<sup>8</sup> Peer reviews by ADB’s Strategy, Policy and Partnerships Department will help ensure the consistency of approach when referring to blended finance. ADB (Strategy, Policy and Review Department). 2018. *Viability Gap Funding and Blended Finance Structures. Memorandum*. 3 July (internal).

<sup>9</sup> In consultation with ADB’s Office of Public–Private Partnership.

<sup>10</sup> Output 2 will include a complete assessment of the ADB project portfolio enabling the \$6 billion climate finance target. Relevant instruments developed by other multilateral development banks will also be reviewed.

<sup>11</sup> Coverage for additional DMCs or additional activities will be subject to additional cofinancing support.

### Subproject Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	May 2019 – March 2021		
Executing and implementing agency	<p>ADB will be the executing agency of the subproject. SDCC of the SDCC will primarily lead the implementation of the subproject and will have the principal role in the administration and supervision of the subproject.</p> <p>SDCC will select, supervise, and evaluate consultants; and provide staff to act as resource persons and/or engage external resource persons, as necessary, in the workshops/trainings/conferences.</p> <p>Subproject activities, including on consultants' terms of reference and outputs, consultations, and workshops will be closely coordinated with regional departments, including resident missions, FSG, PSOD, OPPP, and SPD.</p>		
Consultants	To be selected and engaged by ADB		
	Individual consultant selection method	International expertise (24 person-months)	\$330,000
	Individual consultant selection method	National expertise (48 person-months)	\$255,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, FSG = Finance Sector Group, OPPP = Office of the Public-Private Partnership, PSOD = Private Sector Operations Department, SDCC = Sustainable Development and Climate Change Department, SDCCD = Climate Change and Disaster Risk Management Division, SPD = Strategy, Policy and Review Department, TA = technical assistance.

Source: Asian Development Bank.

12. **Consulting services.** The TA subproject will engage 24 person-months of international inputs (senior climate finance specialist, senior project finance - infrastructure finance specialist); and 48 person-months of national inputs (senior project coordination specialist, and senior country researchers). ADB will engage consultants using individual consultant selection method, as the TA subproject requires a mix of expertise covering various sectors, finding a firm that carries all expertise may be difficult and can cause unnecessary delays;<sup>12</sup> and following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. Aside from the stated international and national consultants, resource persons and English translators may also be engaged for the training workshops. Selected reports will be published as knowledge products in English and the local language, as needed, with limited print copies prepared and disseminated to workshop participants from DMCs.

<sup>12</sup> Output-based/lumpsum contracts will be considered for consulting services where appropriate with the concurrence of the Procurement, Portfolio and Financial Management Department. Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).



## SUBPROJECT DESIGN AND MONITORING FRAMEWORK

<b>Impact the TA is Aligned with</b>			
Low carbon development and climate resilience in Asia and the Pacific enhanced (Climate Change Operational Framework 2017–2030) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Capacities of selected DMCs to implement NDCs enhanced	a. By 2021, at least 2 innovative financial mechanisms for climate actions adopted by DMCs. (2018 baseline:0)	a. Progress reports, climate investment plans, letter of endorsement or any other communication from the government	Political and macroeconomic instability in DMCs shifts national priorities and market conditions away from climate actions.
<b>Outputs</b> 1. DMC knowledge on public and private sources of climate finance improved  2. Innovative financing mechanisms to develop DMC climate actions identified	By 2021 (for all indicators): 1a. 1 comprehensive report on domestic and international sources of climate finance in Asia and the Pacific (funds), with terms and conditions, completed (2018 baseline: 0)  1b. Assessment reports on supporting enabling environments in at least 4 DMCs to develop private sector incentives for climate investments completed (2018 baseline: 0)  1c. 1 report on the impacts of transboundary climate investments completed (2018 baseline: 0)  2a. 1 scoping paper on ADB best practice for climate finance mobilization completed (2018 baseline: 0)  2b. 1 report on appraisal methodologies to support operations departments in the identification of climate finance vehicles for DMCs completed (2018 baseline: 0)  2c. At least 4 DMC reports on innovative blended finance vehicles published (2018 baseline: 0)	1a. Consultants' reports.  1b–c. Assessment reports, consultants' report  2a-b. Scoping paper, Consultants' reports  2c. Publications	Government commitment on climate actions changes or weakens.  Unforeseen circumstances, such as issues with access to data and/or information, delay the output delivery schedule.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	2.d. Two workshops with at least 40 participants (at least 20 women) reported enhanced capacity on innovative blended finance product structuring (2018 baseline: 0)	2d. Workshop presentations, summary/proceedings, feedback forms	
<p><b>Key Activities with Milestones</b></p> <p><b>1. DMC knowledge on public and private sources of climate finance improved</b></p> <p>1.1. Develop selection criteria for prioritization of DMCs and identify focus DMCs, in consultation with operations departments (Q2, 2019)</p> <p>1.2. Conduct consultation meetings and workshops with relevant DMCs (Q2-Q4, 2019)</p> <p>1.3. Develop report on sources of climate finance in Asia and the Pacific (funds), with terms and conditions (Q1, 2020)</p> <p>1.4. Develop assessment reports on supporting DMC enabling environments to develop incentives for climate investments (Q4, 2019 - Q2, 2020)</p> <p>1.5. Develop one report on transboundary climate investments in selected priority sub-regions (Q2, 2020 – Q4, 2020)</p> <p><b>2. Innovative financing mechanisms to develop DMC climate actions identified</b></p> <p>2.1. Conduct scoping on ADB best practice for climate finance mobilization (Q2, 2019 – Q4, 2019)</p> <p>2.2. Develop one report on appraisal methodologies to support regional departments in the identification of climate finance vehicles for DMCs (Q2, 2020)</p> <p>2.3. Develop and publish 4 reports on innovative blended finance vehicles (Q1, 2020 – Q2, 2021)</p> <p>2.4. Conduct workshops to disseminate the results of analyses undertaken and reports prepared (Q4 2020–Q1 2021)</p>			
<p><b>Inputs</b></p> <p>ADB: \$800,000</p>			
<p><b>Assumptions for Partner Financing</b></p> <p>Not Applicable</p>			

ADB = Asian Development Bank; CCOF2030 = Climate Change Operational Framework 2017–2030; DMC = developing member country; NDC = nationally determined contribution.

<sup>a</sup> ADB. 2017. *Climate Change Operational Framework 2017–2030: Enhanced Actions for Low Greenhouse Gas Emissions and Climate-Resilient Development*. Manila.

Source: Asian Development Bank.

**SUBPROJECT COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Amount
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	330.0
ii. National consultants	255.0
b. Out-of-pocket expenditures	
i. International and local travel	90.0
ii. Reports and communications	5.0
2. Printed external publications <sup>b</sup>	25.0
3. Training, seminars, workshops, forum, and conferences <sup>c</sup>	60.0
4. Miscellaneous administration and support costs <sup>d</sup>	5.0
5. Contingencies	30.0
<b>Total</b>	<b>800.0</b>

Note: The technical assistance is estimated to cost \$800,000, of which contributions from the Asian Development Bank are presented in the table above.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-6).

<sup>b</sup> Includes publication-related costs, e.g., editing, layout, proofreading, and printing costs, of knowledge products. Limited print copies will be prepared and disseminated to training and/or workshop participants from DMCs and development partners.

<sup>c</sup> Includes airfare, hotel accommodations, honorarium, daily subsistence allowance, miscellaneous travel expenses, and land transport allowance for participants and resource persons, as well as related expenses of ADB staff as resource person, and travel and related costs for secretariat and administrative support services. It also includes costs for venue rental, workshop kits, documentors, interpreters, photographers, and welcome reception (including alcoholic beverages).

<sup>d</sup> Includes other administration and logistics costs, and in recognition of valuable contributions made by partner organizations in the conduct of the event, representation expenses for meals, plaques and trophies may be provided.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=52004-004-TARreport>

1. Terms of Reference for Consultants