

## Technical Cooperation Document

### I. Basic information for TC

▪ Country/Region:	Regional
▪ TC Name:	Financing Implementation of Intended Nationally Determined Contributions
▪ TC Number:	RG-T2713
▪ Team Leader/Members:	Team Leader: Amal Lee Amin; Co-Team Leader: Hilen Meirovich; Team members: Jennifer Doherty-Bigara, Thiago Mendes, Alfred Grunwaldt, Catalina Aguiar; Juan Gomez, and Mariana Hernández (INE/CCS); Sofia Greco (LEG/SGO), Juan C. Martell (VPC/FMP)
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract authorization:	November 19, 2015
▪ Beneficiary:	LAC Region
▪ Executing Agency:	The IDB through its Climate Change and Sustainability Division (INE/CCS)
▪ Donors providing funding:	Sustainable Energy and Climate Change Multi-Donor Fund (MSC)
▪ IDB Funding Requested:	US\$1,500,000
▪ Local counterpart funding:	US\$375,000
▪ Disbursement period:	26 months (execution period: 22 months)
▪ Required start date:	January 15 <sup>th</sup> 2016
▪ Types of consultants:	Firm and individual consultants
▪ Prepared by Unit:	INE/CCS
▪ Unit of Disbursement Responsibility:	Infrastructure and Environment Sector (INE/INE)
▪ TC Included in Country Strategy:	No
▪ Included in CPD:	No
▪ GCI-9 Sector Priority:	Protect the environment, respond to climate change and promote renewable energy and food security

### II. Objectives and Justification of the TC

- 2.1 During the 20<sup>th</sup> Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC), referred to as COP 20<sup>1</sup> (December 2014), a major outcome was reached: for the first time developed and developing countries made a commitment to present their Intended Nationally Determined Contributions (INDCs) –by the COP 21 (December 2015), which would feature their proposed climate actions to avoid exceeding the target of a 2°C increase in global average temperature. During that meeting it was agreed that all countries (both developed and developing) would prepare and submit their own INDC following a very broad criteria intended to “*facilitate clarity, transparency and understanding*” of the actions countries would commit to undertake, which “*may include, as appropriate, inter alia, quantifiable information on the reference point (including, as appropriate, a base year), time frames and/or periods for implementation, scope and coverage, planning processes, assumptions and methodological approaches including those for estimating and accounting for anthropogenic greenhouse gas emissions and, as appropriate, removals,*” (decisions 1/CP.19 and 1/CP.20 of UNFCCC). These loose guidelines also suggested the quantification of resources needed for the execution of

<sup>1</sup> Although the ultimate goal of reaching a legally-binding global climate agreement has not been achieved in previous COP meetings, the event is a platform where countries renew their GHG emissions reduction goals, negotiate terms for upcoming agreements, and create bi-lateral and multi-lateral alliances to harness international funds and identify investment opportunities. The IDB attends the COP as an international observer and takes the opportunity to showcase its achievements in the climate change arena, as well as establish new dialogues with donors and key stakeholders.

such actions, but not as a mandatory requirement. As of October 2015, 122 countries and the European Union have submitted their INDC's; 22 of them come from the Latin American and Caribbean (LAC) region.<sup>2</sup>

- 2.2 Whilst most of the commitments related to INDCs officially start in 2020, it is essential to ensure progress towards their implementation, which is supposed to start in 2016. Lessons from previous experiences in climate policy point to the fact that in order to achieve consistent implementation and avoid INDCs to become only aspirational and have no real impacts on the countries' paths towards a low carbon and resilient development, it is key to integrate INDCs with their countries' development strategies and plans, as well as secure domestic and international resources needed for their implementation (World Resources Institute, 2015).<sup>3</sup>
- 2.3 This requires that each INDC translates into investment actions specified in a plan that defines potential investment opportunities to attract investors –from the public and private sectors, and fulfills the countries' needs in terms of accessing climate finance and integrating knowledge to build relevant institutional capacity. However, LAC INDCs vary in their approach, including the conditionality of commitments –particularly with respect to international support/finance, the split between mitigation and adaptation actions, sectoral focus and the use of carbon finance mechanisms. Some countries in the region based their INDCs on an assessment of the amount of resources needed for implementation –as the case of Brazil, while others have focused their INDC on conceptual aspects. In all cases, the preparation of an investment plan based on global and regional best practices and strategies will help identify and mobilize financing for the timely implementation of INDCs.
- 2.4 This is where the IDB plays a crucial role. It can use the knowledge it has gained from: (i) previous work with many LAC governments in the design and development of national climate strategies and plans;<sup>4</sup> (ii) supporting countries' access to international resources such as the Global Environmental Facility (GEF), the Climate Investment Funds (CIF), and more recently the Green Climate Fund (GCF);<sup>5</sup> and (iii) relevant

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<sup>2</sup> Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, Grenada, Guatemala, Guyana, Haiti, Honduras, Mexico, Paraguay, Peru, Trinidad and Tobago and Uruguay. [This table](#) reflects adaptation priorities for some LAC INDCs, as well as a brief description of Brazil's and Mexico's INDCs.

<sup>3</sup> Designing and Preparing Intended Nationally Determined Contributions (INDCs), by Kelly Levin, David Rich, Dennis Tirpak, Heather McGray, David Waskow, Yamil Bonduki (UNDP), Michael Comstock (UNDP), Ian Noble and Kathleen Mogelgaard - May 2015.

<sup>4</sup> See, for example, the following operations: "Program to Support the Development of a Climate Change Agenda," in Colombia (2191/OC-CO), "Program to Support the Climate Change Agenda of Guatemala" (2434/OC-GU), "Program in Support of Mexico's Climate Change Agenda" (2047/OC-ME, 2186/OC-ME and 2459/OC-ME), "Support Program to the Climate Change Agenda," in Peru (2456/OC-PE, 2625/OC-PE and 2985/OC-PE) and "Program to Support the Climate Change Agenda," in Trinidad and Tobago (2659/OC-TT), "Support to Climatic Change National Strategy," in Mexico (ATN/OC-12432-ME), "Mainstreaming Climate Change into National Development," in Trinidad and Tobago (ATN/OC-12182-TT) and "Support to APC Colombia to Create an Initiative for Sustainable Development," (ATN/OC-14991-CO) –launched at COP 21).

<sup>5</sup> Examples include: "Energy Efficiency and Renewable Energy in Low-income Housing" in Argentina (GRT/FM-15083-AR), "Sustainable Management in Highland Ecosystems in North Potosi" in Bolivia (GRT/FM-12228-BO), "Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru" (ATN/FM-14542-PE), "Forest Information to Support Public and Private Sectors in Management Initiatives" in Brazil (ATN/SX-14218-BR), "Adaptation Program and Financing Mechanism for the Pilot Program for Climate Resilience in Jamaica" (3381/SX-JA), "Technical Cooperation for the CTF-IDB EcoCasa Program" in Mexico (ATN/TC-13620-ME) "Investment Plan for the Caribbean Regional Track of the Pilot Program for Climate Resilience" (ATN/SX-14969-RG), and a recently approved operation, which utilizes resources from

budget and fiscal work with ministries of finance and planning to analyze the availability of domestic resources, as well as the quality of public expenditures.<sup>6</sup> These projects highlight the essential elements an investment plan should have to align with a country's development agenda and include: (i) availability of domestic resources; (ii) assess and promote private sector involvement; and (iii) define strategies to attract and deploy international resources for the highest catalytic impact.

- 2.5 The objective of this Technical Cooperation (TC) is to provide support to LAC countries with INDCs that lack a financial strategy and an investment plan for their implementation. The operation seeks to ensure that participating countries from the region create robust implementation and investment plans for their INDCs. Therefore, this operation will contribute to the preparation of such plans. Consequently, it is expected to encourage the engagement of relevant stakeholders –local, regional and global–, a crucial element for the successful implementation process of any INDC.
- 2.6 The activities of the operation are centered on improving the understanding of INDCs implementation requirements in terms of domestic and international resources, and encouraging the active engagement of governments, the private sector and other stakeholders in the investment opportunities that should emerge during the implementation stage. The Bank will provide assistance to countries in the region to prepare investment plans for their INDCs through: (i) an initial assessment of all LAC INDCs and a few case studies of countries that have developed long-term financing strategies (Chile, Peru, Colombia, Brazil, Mexico) prior to the submission of their INDCs, and how those strategies could address the investment needs raised by other INDCs; (ii) the design of investment plans for the INDCs submitted by 3 to 5 countries in LAC –which will take the private sector into account; and (iii) the dissemination of the operation's findings across the countries in the region to showcase the benefits of INDCs with solid investment plans. These three points will broaden their scope to the extent that close dialogues are established with beneficiary governments to ensure a high degree of ownership during execution of their INDCs. Relevant staff members from the corresponding IDB Country Offices will be invited to participate in such communications.
- 2.7 As mentioned before, the nature of INDCs in LAC –as well as globally, is very diverse. Some countries have focused on mitigation actions, others on adaptation initiatives, while others have prioritized the financing aspects. Based on prior Bank's experience designing investment plans for CIF projects,<sup>7</sup> the criteria for the selection of participating countries should include key elements, namely: (i) the active involvement of the ministry of finance –and any other entity that participates in budgeting processes; (ii) the volume of emissions; and (iii) the degree of vulnerability

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the Green Climate Fund, as one of its firstly approved programs, the “Regional Green Bond Facility” (RG-X1250).

<sup>6</sup> See operations: “Support to Climate Change Units within Ministries of Finance” in Central America (ATN/OC-13069-RG), “Strengthening Climate Change Budget Planning and Fiscal Management in Brazil” (ATN/FI-12559-BR) and “Comprehensive Fiscal Sustainability & Climate Change Adaptation Program for El Salvador” (2710/OC-ES).

<sup>7</sup> The Climate Investment Funds were the first mechanism of climate finance that required the development of investment plans with ministries of finance as the main counterpart. The Bank prepared investment plans for Mexico, Colombia, Peru, Chile, Brazil, Honduras, Haiti, and a regional investment plan for the Caribbean in order to access the different funds under the CIF.

of a given country<sup>8</sup>. Countries with solid financial strategies constitute valuable case studies, which will serve as input for Component 1 of this TC. It is expected that the findings from Component 1 will provide a base for the criteria to identify countries that are prepared to receive support to design their investment plans (Component 2).

- 2.8 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). It will also contribute towards the Ninth General Capital Increase (GCI-9) lending target related to climate change, and environmental sustainability. Likewise, the operation is aligned with the recently updated Institutional Strategy for the Bank (2016-2020) and the forthcoming Sector Framework Document.
- 2.9 This operation is also aligned with the strategic objectives of the Sustainable Energy and Climate Change Fund (SECCI). Furthermore, the actions proposed in the INDCs prepared by countries in the region are closely related to the results mentioned in ¶1.2 of the document that established the SECCI IDB Fund (GN-2435-6).

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

- 3.1 **Component 1. Regional assessment of the financing and investment requirements (US\$445,000).** This will include a research and analysis of existing LAC long-term financing strategies and LAC INDCs, including with respect to conditionality of commitments, split between mitigation and adaptation actions, use of carbon finance mechanisms and the possible levels of finance that might be required for implementing these commitments and needs. This will involve the following activities: (i) development of a methodology and framework for the assessment of investment opportunities and financing needs; and (ii) analysis of existing long term financing strategies and LAC INDCs, including its supporting material regarding potential investment opportunities, as well as desk-top research supplemented by interviews with key actors. An initial high-level assessment should be available to be presented at the IDB's Annual Meeting in March 2016. A more detailed analysis and report should be ready by mid-2016, as well as a web-based map/interactive tool to be developed by the end of 2016.
- 3.2 **Component 2. Country and private sector engagement on INDC investment opportunities and financing plans (US\$1,100,000).** This will involve three overlapping areas of activities based on the results from Component 1, and following the criteria of involvement of ministries of finance: (i) the deep-dives into country INDCs to carry out case study assessments of investment opportunities and development of investment plans for three to five countries. These detailed investment plans case studies will be undertaken through: (a) in-country research; (b) consultations with a wide range of stakeholders on specific objectives defined in the INDCs; and (c) the identification of enabling environment conditions and other key influencing factors;<sup>9</sup> (ii) engagement of ministries of finance and economic planning (and potentially sector line ministries) on these case study investment plans to identify and build links to economic and budget planning processes, as well as pinpoint implications for future domestic policy and public expenditures. This component will include the results of the deep dives as well as an analysis of public budgets to

<sup>8</sup> As explained in Section III of the Climate Change Sector Framework Document of the Bank.

<sup>9</sup> Also, the project will bring together specialists and data from different IDB platforms such as HydroBID, Agrimonitor, Adaptacion, LEDsLAC and Climatescope, among others to ensure the inclusion of the most up to date data for the region.

quantify existing climate expenditures; and (iii) structured dialogues between governments and public and private sector financial institutions regarding instruments and schemes to finance the implementation of INDCs' investment plans, with a focus on approaches to mobilize private sector investment to enable the emergence of markets for green growth.

**3.3 Component 3. Regional and international socialization, dissemination and outreach (US \$330,000).** The dissemination of results will be carried out through existing networks and platforms, as well as partnerships with existing and emerging initiatives that focus on the implementation and financing of INDCs. The use of existing regional and global platforms will raise political awareness and momentum in LAC and ensure the leverage of regional expertise and financial resources. Also, a dialogue between governments and public and private financial institutions will be established as means to expand the knowledge about the opportunities of financing activities defined in the investment plans.<sup>10,11</sup> Also, the project will bring together specialists from different divisions to ensure the dissemination of investment plans within the IDB, as well as the incorporation of relevant climate actions and financing strategies in sectoral country dialogues and future programming. A coordinator will be hired to look for opportunities for the Bank to present and disseminate the results of the operation.

**Indicative Results Matrix**

Component/Description	Unit	Baseline (2015)	Yr 1	Yr 2	Complete by	Data Source
<b>Component 1.</b> Analysis of LAC INDCs and assessment of the financing and investment requirements						
High-level assessment of the investment demand within LAC INDCs for presentation at the IDB annual meetings delivered	Nº	0	1	0	February 2016	INDCs
Framework to analyze investment opportunities identified in INDCs developed	Nº	0	1	0	June 2016	INDCs & supplementary evidence
Report and web-based map/tool of LAC INDC investment opportunities delivered	Nº	0	1	0	November 2016	INDCs & other evidence
<b>Component 2.</b> Strengthening engagement between Ministries of Finance/Economy and private sector finance on investment implementation						
3-5 case study assessments to be prepared as INDC Investment Plans developed	Nº	0	1 - 2	2 - 3	2017	INDC plus government, plans, policies and analysis
In-country and/or sub-regional engagement in the case assessments with ministries of finance and economic planning on investment opportunities and implications for budget planning (events organized)	Nº	0	1	2	2017	Primary data from in-country interviews and secondary data and analysis.
Structured dialogue between governments, public and private sector financial institutions and other stakeholders on financing options (regional policy dialogue events organized)	Nº	0	1	1	2017	Case study investment plans and evidence used as basis for the dialogue.

<sup>10</sup> Partners for dissemination and outreach will likely include the Inter-American Dialogue, LAC LEDS Platform, Pacific Alliance Countries Green Growth Platform, the Climate and Development Knowledge Network (CDKN) regional and international hubs, the German Agency for International Cooperation (GIZ) and the Global Green Growth Forum (3GF). Additional partners are listed in ¶4.1

<sup>11</sup> The approach for such dialogues consists in carrying out events –seminars, trainings, forums, etc., which will enable the exchange and dissemination of new ideas, best practices, lessons learned and products regarding the financing of climate projects. Also, these gatherings will serve as places where the financing institutions can establish partnerships and networks to collaborate jointly.

Component/Description	Unit	Baseline (2015)	Yr 1	Yr 2	Complete by	Data Source
<b>Component 3. Regional and international socialization, dissemination and outreach</b>						
Regional LAC event on INDC implementation: investment opportunities and financing challenges (events organized)	Nº	0	1	1	Sep/Oct 2016	INDCs, country primary and secondary data sources
Regional LAC private sector investor events/dialogues (events organized)	Nº	0	1	1	Sep 2017	
Web-based material on lessons learnt and recommendations for financial policy-makers published	Nº	0		1	Nov 2017	

- 3.4 The total cost of this TC is US\$1,875,000. US\$1,500,000 will be financed with non-reimbursable resources from the Sustainable Energy and Climate Change Multi-Donor Fund (MSC). The remaining US\$375,000 correspond to in-kind support provided by national and international initiatives and funders, which are mentioned in ¶4.1 and footnote 11 (the lists are not exhaustive).

**Indicative Budget (US\$)**

Component	IDB	Counterpart Funding	Total
<b>Component 1. Research and analysis: potential investment opportunities presented within LAC INDCs</b>	<b>400,000</b>	<b>45,000</b>	<b>445,000</b>
Methodology to assess LAC INDC and long-term financing strategies	100,000		
Methodology to assess low carbon and resilient investment needs in LAC	100,000		
Application of Methodologies to all LAC Countries	120,000		
Web based tool	50,000		
Travel expenses for testing and applying methodology	30,000		
<b>Component 2. Engaging governments and stakeholders on investment opportunities and financing approaches</b>	<b>950,000</b>	<b>150,000</b>	<b>1,100,000</b>
In depth case studies of INDCs and Investment opportunities (consultancy for 5 cases)	550,000		
Travel costs for case studies and data collection (5 countries)	40,000		
Analysis of national budgets and fiscal resources for investment plans linked to INDCs (consultancy - 5 countries)	300,000		
Joint meetings: finance ministries and private sector (5 countries)	60,000		
<b>Component 3. Dissemination and socialization of key lessons at the regional and international levels</b>	<b>150,000</b>	<b>180,000</b>	<b>330,000</b>
TC Coordinator	70,000		
Travel and logistics for dissemination of results	20,000		
Communication strategy and publication	60,000		
<b>Total</b>	<b>1,500,000</b>	<b>375,000</b>	<b>1,875,000</b>

**IV. Executing agency and execution structure**

- 4.1 The IDB, via its Climate Change and Sustainability Division (INE/CCS) will execute the proposed TC project and take the supervision and procurement responsibilities. CCS will coordinate with other participating Bank departments (including the private sector and the Inter-American Investment Corporation, which in 2016 will migrate to the new private sector entity of the IDB Group), and liaise with other key initiatives and funders involved in implementation and financing of INDCs. Key regional initiatives include the LAC LEDS Platform, Pacific Alliance Countries Green Growth Platform and GLFAC. Co-funders could include international and bilateral organizations such as CDKN, GIZ, US Department of State and USAID. INE/INE will be the unit with the disbursement responsibility.

- 4.2 The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with Bank's current procurement policies and procedures. Specifically, to hire individual consultants, the Bank will follow its Human Resources Procedures AM-650. To hire consulting firms and non-consulting services, the Corporate Procurement Policy and Procedures (GN-2303-20) will be applicable.
- 4.3 Given the nature of the operation (research and dissemination), letters of request are not a requisite for its approval, as it is an initiative led by the Bank. However, prior to the start of the project's activities in the subject countries, the team leader will request non-objection letters from the public entities that play the role of liaison between the country and the Bank. Such letters will be submitted to the Bank in a timely fashion in accordance with the Bank's technical cooperation policies and operational guidelines.

## **V. Major issues**

- 5.1 As a result of the COP 21, there may be some delays that could affect the implementation timelines of INDCs, as governments assimilate the provisions of the Paris Agreement. Additionally, there might be some resistance to move forward with the implementation phase. Nonetheless, the submission of INDCs ahead of the COP 21 provides a basis to entice governments to take advantage of the momentum<sup>12</sup> and act on their climate commitments and their respective investment opportunities. However, the lack of knowledge in governments about the risks of changing development paths could delay action. Component 1 focuses on the identification of relevant risks and potential investments that will contribute to their mitigation, to better inform the countries' actions.
- 5.2 Some of LAC INDCs may have not been prepared with the support of their respective ministry of finance, hindering the identification of potentially "bankable" climate actions that should be included in investment plans from a public budget perspective. To overcome this, the TC will select the deep-dive countries (see ¶3.2) based on the extent that there is a substantial involvement of ministries of finance and/or economic planning, as well as facilitate the generation of a network to share relevant knowledge among countries of the region, which, in turn, can serve as the basis to engage, in a more systematic way, additional ministries of finance in the matter.

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

- 6.1 There are no exceptions to the Bank policy.

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

The project team does not anticipate negative social or environmental impacts (either direct or indirect) as a result of the activities of this TC. According to the Environment and Safeguards Compliance Policy of the Bank (OP-703), the operation has been classified as Category "C" ([Safeguard Screening Form/Safeguard Policy Filter](#)).

### **Required Annexes:**

- Annex I: [Terms of Reference](#)
- Annex II: [Procurement Plan](#)

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<sup>12</sup> The Paris Agreement legally mandates that developed countries contribute to finance mitigation and adaptation to climate change in developing countries –the estimation is 100 billion per year starting 2020.

**FINANCING IMPLEMENTATION OF INTENDED NATIONALLY DETERMINED  
CONTRIBUTIONS**

**RG-T2713**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the Sustainable Energy and Climate Change Multi-donor Fund (**SECCI-MS**C) through a communication dated November 9, 2015 and signed by Felipe Caicedo (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$1,500,000** in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original signed

12/09/2015

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Sonia M. Rivera  
Chief  
Grants and Cofinancing Management Unit  
ORP/GCM

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Date