

TC Abstract

I. Basic project data

• Country/Region :	REGIONAL/IDB
• TC Name :	Climate Risk: Identification, Management and Opportunities
• TC Number :	RG-T2728
• Team Leader/Members :	RIOS GALVEZ, ANA R. - Team Leader AMIN, AMAL LEE - Alternate Team Leader ESQUIVEL GALLEGOS, MARICARMEN - Team Member GRUNWALDT, ALFRED HANS - Team Member HERNANDEZ SANCHEZ, MARIANA GABRIELA G. - Project Assistant ALLEN, GERARD P. - Team Member SEREBRISKY, TOMAS SEBASTIAN - Team Member HOAGLAND-GREY WARDLE, HILARY - Team Member DURANTE, JUAN JOSE - Team Member DEMAESTRI, EDGARDO CARLOS - Team Member WILSON, STEVEN RONE - Team Member SANCHEZ ROMÁN, CARLOS - Team Member MARZOLF, NATACHA - Team Member WILK, DAVID - Team Member HOFFMANN, BRIDGET LYNN - Team Member TAPIA BONILLA, MARIA - Team Member GOMEZ SANDOVAL, JUAN CARLOS - Project Assistant Alva, Maria Fernanda - Team Member
• Indicate if : Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
• If Operational Support TC, give number and name of Operation Supported by the TC:	
• Reference to Request :(IDB docs #)	
• Date of TC Abstract :	25 Mar 2016
• Beneficiary (countries or entities which are the recipient of the technical assistance):	Latin America and the Caribbean countries
• Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {if Bank: Contracting entity} { if the same as Beneficiary, please indicate}	US-IDB - INE/CCS
• IDB Funding Requested :	\$ 1,500,000.00
• Local counterpart funding, if any :	\$ 375,000.00
• Disbursement period (which includes execution period):	36 months
• Required start date :	
• Types of consultants (firm or individual consultants):	Individuals
• Prepared by Unit :	Climate Chng & Sustainability
• Unit of Disbursement Responsibility :	INFRASTRUCTURE AND ENVIRONMENT SECT DEPT
• Included in Country Strategy (y/n): TC included in CPD (y/n):	No No
• GCI-9 Sector Priority	Addressing climate change, renewable energy, environmental sustainability and food security

II. Objective and Justification

The objective of this operation is to assist decision makers in managing the challenges and seizing the opportunities resulting from climate change. This technical cooperation is aligned within the "Institutional Strategy 2010-2020" as it addresses climate change, an overarching issue that affects the three main development challenges in LAC. Specifically, it is framed with the "Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy" (GN-2609-1) and the "Climate Change Sector Framework" (OP-2018) given its focus on climate risk and actions to manage and reduce its impacts. In addition, it contributes to the "Sustainable Infrastructure for Competitiveness and Inclusive Growth Strategy" (GN-2710-5) given that climate change needs to be overcome to ensure sustainable infrastructure.

Climate change poses potentially significant risks to the economy, financial systems and livelihoods in Latin America and the Caribbean (LAC). These risks are mainly related to: (i) climate impacts resulting in damages to infrastructure, natural resources and productivity losses; (ii) commitments, policies and regulatory changes relating to reducing greenhouse gas emission levels or measures for climate change adaptation which might affect the value, utilization levels and useful life of assets; and to a lesser extent to (iii) reputational risks for investing in companies or products that are not aligned with climate goals under the new international agreement signed in COP21 in Paris last year. These could lead to high losses, and also to stranded assets –assets with unanticipated or premature write-downs, devaluations, or liabilities- which have recently prompted the reaction from a wide range of key global actors that have highlighted the urgent need for a better understanding of climate risks and the need to identify measures to minimize their impact. These are complex impacts, and related knowledge is only incipient and little documented, which makes it necessary to achieve a better understanding in order to secure an orderly transition into climate-sustainable economies with planned management of climate risks.

Moreover, the success of Paris COP21 has increased country level commitments and responses to climate change. In 2016 it is necessary to maintain and build momentum around the implementation of these. The majority of countries in the region recently submitted their Intended Nationally Determined Contributions (INDCs) to the United Nations Framework Convention on Climate Change (UNFCCC) in which mitigation targets by 2030 were established and key adaptation actions are often highlighted. The Adaptation Goal and Paris Agreement of December 2015 further reinforce the importance and validity of these INDCs by stating in Article 3 that "as nationally determined contributions to the global response to climate change, all Parties are to undertake and communicate ambition efforts... These efforts to all Parties will represent a progression over time..." This underscores the urgency to improve knowledge on climate risks and their management as well as build climate resilience and minimize potential loss and damage.

III. Description of activities and outputs

The main activities to be financed aim at increasing the awareness, knowledge and understanding of climate risk and climate risk management in Latin America and the Caribbean. To achieve this goal, the components involve collaboration and coordination among different sectors and divisions within the Bank as well as with clients in the public and private sector. Activities involve analysis, evaluations, strengthening of capacities, dialogues among key actors as well as outreach and dissemination.

Outcomes

Name: The project contributes to increase the awareness, knowledge and understanding of climate risk and climate risk management in Latin America and the Caribbean.

Components

Name: a) Climate risk identification and assessment at the regional level.

Description: Includes: (i) regional qualitative and quantitative evaluation of stranded assets in key sectors due to climate change impacts and/or policies (such as INDCs) and (ii) assessment of climate impacts in sovereign assets and liabilities.

Number of reports published on climate risk

Name: b) Mainstreaming of climate risk and necessary adaptation and resilience measures into country level economic and planning decisions.

Description: Aims to support ministries of finance, economy and/or planning, Central Banks and domestic credit rating agencies in the design and/or implementation of actions for effective climate risk assessment and management. Includes client requests for capacity building and/or development of specific analysis.

Number of analysis performed

Name: c) Screening for climate vulnerability and risk, and identification of opportunities to streamline adaptation elements at the project and/or program level.

Description: Develop and pilot an IDBG methodology and toolkit for evaluating climate risks and integration of climate resilience and adaptation measures/options to enhance project viability. The methodology and toolkit should also be developed to allow evaluation of climate risk at the sector and portfolio levels, and be readily adapted for use by the Bank's public and private client financial institutions.

Number of methodologies developed and tested

Number of toolkits developed and tested

Name: d) Climate risk management alternatives for the private sector.

Description: Analysis and evaluation of risk management options to minimize potential losses and damages (i.e. micro-insurance and insurance). Considers client driven requests and activities to facilitate the dialogue between private and public sectors.

Number of analysis developed

Name: e) Outreach and dissemination.

Description: Internal and external activities with the public and/or private sector to: create awareness, present and validate findings, and promote dialogue between private and public actors. Includes workshops, conferences, events and brown bag lunches.

Number of external and internal activities with the public and/or private sector

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
a) Climate risk identification and assessment at the regional level.	\$ 350,000.00	\$ 0.00	\$ 350,000.00
b) Mainstreaming of climate risk and necessary adaptation and resilience measures into country level economic and planning decisions.	\$ 400,000.00	\$ 300,000.00	\$ 700,000.00
c) Screening for climate vulnerability and risk, and identification of opportunities to streamline adaptation elements at the project and/or program level.	\$ 400,000.00	\$ 0.00	\$ 400,000.00

d) Climate risk management alternatives for the private sector.	\$ 200,000.00	\$ 50,000.00	\$ 250,000.00
e) Outreach and dissemination.	\$ 150,000.00	\$ 25,000.00	\$ 175,000.00

V. Executing agency and execution structure

This operation will be executed by the IDB through the Climate Change and Sustainability Division (INE/CCS).

The Execution Structure is given the regional coverage of the activities to be performed, possible synergies and complementarities with Bank operations/research (i.e. 2015 and 2016 ESW on climate risk, 2016 Regional Policy Dialogue, RG-T2713, RG-T1869) in addition to ongoing dialogue with relevant Ministries in the region. CCS will coordinate with other relevant departments and Divisions within the Bank including public and private sectors and aim to create partnerships with key stakeholders including academia and governments. Given the nature of the operation (research and dissemination), letters of request are not a requisite for its approval. However, non objection letters will be requested prior to the start of the project's activities in subject countries particularly those related to components II and IV.

VI. Project Risks and issues

The main risks in the successful and timely execution of the project are the availability and quality of information as well as qualified consultants that might be able to perform the analysis and work required for the study. To address and minimize these risks, advances have been made in the identification of information sources and pool of candidates that might perform the required tasks.

VII. Environmental and Social Classification

The ESG classification for this operation is [The proposed project is expected to contribute to the reduction of environmental and social vulnerabilities. Therefore, the proposed classification is "C".]