Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Turning Climate into Sector Policy Reforms and Investments
▪ TC Number:	RG-T4732
▪ Team Leader/Members:	Delgado, C. Raul (CSD/CCS) Team Leader; Alvarenga Junior, Marcio (CSD/CCS) Alternate Team Leader; Lemos Alves Dos Santos Helder (CSD/CCS); Bonilla Merino, Arturo Francisco (LEG/SGO); Carias Flores Sara Hilda (CSD/CCS); Mills Godoy, Heidi Anaitee (CSD/CCS); Medeiros, Eduardo (CSD/CSD); Melendez Aparicio, Karla Maria (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Choquehuanca Zeballos Jorge Luis (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS) Mills Godoy, Heidi Anaitee (CSD/CCS); Medeiros, Eduardo (CSD/CSD); Melendez Aparicio, Karla Maria (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Choquehuanca Zeballos Jorge Luis (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS) Mills Godoy, Heidi Anaitee (CSD/CCS); Medeiros, Eduardo (CSD/CSD); Melendez Aparicio, Karla Maria (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Choquehuanca Zeballos Jorge Luis (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS)); Melendez Aparicio Karla Maria (CSD/CCS); Mills Godoy Heidi Anaitee (CSD/CCS); Choquehunca Zeballos Jorge Luis (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	The Latin-American and Caribbean Region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Sustainability(W2A)
▪ IDB Funding Requested:	US$300,000.00
▪ Local counterpart funding, if any:	US$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	August 2025.
▪ Types of consultants:	Firms, individual consultants and non-consulting services
▪ Prepared by Unit:	CSD/CCS-Climate Change Solutions Division
▪ Unit of Disbursement Responsibility:	CSD/CCS-Climate Change Solutions Division
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Regional integration

II. Objectives and Justification of the TC

2.1 This Regional Technical Cooperation (TC) seeks to support Latin American and Caribbean (LAC) countries in translating their climate commitments and planning instruments—such as Nationally Determined Contributions (NDC), Long-Term Strategies (LTS), National Adaptation Plans (NAP), and sectoral climate plans—into concrete, actionable economy-wide and sectoral policies and investment strategies as catalysts for achieving national socioeconomic objectives. Specifically, the TC will support climate action design and implementation by assisting sectors—such as finance and treasury, energy, transport, industry, and agriculture, among others—in designing and executing policies and investments aligned with national climate objectives, ensuring that each sector's leading institutions drive implementation.

2.2 LAC countries face dual imperatives: responding to physical climate impacts and navigating the global transition toward electrification, renewable energy, and other technologies that increasingly outcompete carbon-intensive alternatives on cost and performance metrics. Early adopters of these advanced systems gain competitive advantages through reduced long-term costs, enhanced energy security, greater economic resilience, and positioning in emerging high-value industries and labor markets. The TC will facilitate investment planning and validation through a participatory process to identify and validate sector-specific investment needs, ensuring alignment with both the NDC and sectoral priorities, while securing ownership by relevant ministries and planning bodies. Additionally, the operation will develop and refine regulatory and policy reforms by strengthening governance mechanisms and regulatory frameworks that enable both decarbonization and climate resilience while maintaining economic stability and competitiveness.

2.3 The TC will also help to enhance institutional coordination and governance to align sectoral reforms with national climate strategies and ensure coherence across related sectors. Finally, the operation will integrate just transition and social equity principles into sectoral policies by assessing socio-economic impacts, safeguarding vulnerable populations, promoting decent employment, and fostering inclusive economic opportunities in the transition to a low-carbon and resilient economy.

2.4 The theory of change underlying this TC recognizes that climate risks and opportunities are unevenly distributed across economic sectors, creating differentiated challenges and incentives for climate action implementation. Some sectors face greater exposure to physical and transition climate risks than others, while technological progress and institutional changes create varying opportunities across different economic activities. In many cases, the technologies needed to support decarbonization and resilience building may still be unavailable or not yet economically viable, requiring targeted policy interventions and investment strategies. This heterogeneous landscape demands a comprehensive approach that moves beyond generalized climate commitments to coordinated economy-wide and sectoral implementation, ensuring that policies and investments are tailored to each sector's specific risk profile, technological readiness, and institutional capacity, while maintaining coherence with national climate objectives.

2.5 The implementation of climate action across sectors is further complicated by critical technical bottlenecks, insufficient productive capabilities, and outdated or misaligned regulatory frameworks that can impair the entire process of decarbonization and resilience building. These obstacles not only hinder the transition kick-off but also constrain progress over time, creating persistent implementation gaps. Moreover, countries lacking the necessary capabilities and adequate regulatory environments risk losing economic opportunities, as job creation and income generation may leak to countries better positioned to compete in emerging green industries and global value chains. Successful climate action implementation therefore depends on participatory processes that engage sector-leading institutions—including finance and treasury ministries—in identifying and addressing these bottlenecks while designing policies and investments that build productive capabilities and modernize regulatory frameworks.

2.6 The integration of just transition and social equity principles throughout the policy design process becomes even more critical given the uneven distribution of climate risks and economic opportunities across sectors and social groups. Climate transitions that fail to address these distributional impacts—both in terms of costs and benefits—risk generating political resistance that can undermine implementation efforts across multiple sectors simultaneously. By embedding just transition considerations into both economy-wide and sectoral policy frameworks from the outset, countries can ensure that vulnerable populations are protected, that decent employment opportunities are created across different sectors, and that the economic benefits arising from climate action contribute to inclusive development rather than exacerbating existing inequalities.

2.7 All Latin American and Caribbean IDB member countries are potential beneficiaries of this TC, though the operation will provide support through two complementary modalities. The TC will develop regional-level products and activities that address common sectoral challenges in managing the uneven distribution of climate risks and opportunities, making these knowledge products and tools available to all LAC countries. Additionally, the TC will provide direct, country-specific support to up to two countries, offering tailored assistance to address particular sectoral bottlenecks, technological gaps, and institutional priorities within their unique economic structures and competitive positioning in emerging green industries and global value chains. This dual approach enables broad regional learning about successful sectoral transformations while ensuring intensive, customized interventions that can serve as demonstration cases and generate lessons applicable across the region. Countries will be eligible for support based on three core criteria that ensure effective implementation and sustainable outcomes. First, the country must demonstrate clear interest and commitment to collaborate with the IDB through formal expression of interest. Second, the proposed work must be directly aligned with the country's established climate priorities, as articulated in national policy frameworks such as Nationally Determined Contributions, ensuring coherence with existing commitments and avoiding duplication of efforts. Third, the lead beneficiary institution must possess adequate institutional capacity to coordinate and oversee the technical work. Activities and dialogue with governments will be carried out in close coordination with the IDB Representation Offices in the participating countries.[1] According to Bank's policies all consultants and firms hired must be from a member country of the Bank.

2.8 **Strategic Alignment.** This TC is consistent with the IDB Institutional Strategy 2024-2030 "Transforming for Greater Scale and Impact" (CA-631), and it aligns with its objective of *Address Climate Change*, and its area of operational focus of *Biodiversity, Natural Capital and Climate Action*, as it contributes towards: (i) the achievement of sustainable development objectives; (ii) the fight against climate change; and (iii) national policy objectives, supporting countries in developing areas such as: (a) institutions that support goals and commitments towards climate resilient and low-carbon development; (b) access to and effective use of climate finance; (c) knowledge generation to effectively support a just transition to a climate resilient and decarbonized economy; and (d) boosting progress in mainstreaming resilience and net-zero emissions considerations across all sectors. It also aligns with Window 2

[1] Prior to the start of any activity in a specific country, a non-objection letter will be obtained from the official liaison entity with the IDB of such country.

(Sustainability) of the Ordinary Capital Strategic Development Program (GN-2819-14) by promoting opportunities for LAC productive sectors to transition towards sustainable production techniques through enhanced knowledge and innovation ecosystems. The program contributes to policies that facilitate technology adoption and establish smart institutional frameworks addressing low productivity and innovation challenges, while sectoral policy and investment planning (Component 1) supports regulatory reforms that enable decarbonization without compromising competitiveness. Additionally, analytical tools and methodologies (Component 2) strengthen institutional capacity to identify and prioritize climate-aligned infrastructure investments, promoting greater investment in the region's infrastructure sector while enhancing the performance, quality, and sustainability of infrastructure services through evidence-based frameworks that integrate climate resilience into national development strategies. The TC is also aligned with the Climate Change Sector Framework Document (GN-2835-13), specifically with the cross-cutting themes of adaptation and resilience, decarbonization, and climate governance. It also demonstrates synergies and complementarities with operations ATN/OC-20056-RG, ATN/MC-19758-RG, ATN/OC-20988-RG, ATN/FC-20678-RG, and ATN/FC-19904-RG, which support LAC countries in the design and implementation of the climate commitments defined in their NDC and LTS through transparency mechanisms, informed decision-making on climate vulnerabilities, just transition approaches, strategic planning, and integration of the climate agenda on fiscal and public finance policies. These synergies arise from the potential to cover different countries and leverage the experience and knowledge generated thanks to those technical cooperation operations in developing climate action implementation instruments that will inform the present operation’s approach to sectoral policy reforms and investment strategies.

2.9 The TC supports the *IDB CLIMA* initiative by helping countries develop sectoral policies and investment plans aligned with their NDC and LTS, improving governance, climate finance access, and transparency in climate action. The TC is aligned to the climate adaptation, disaster risk management and resilience priority area of the ONE Caribbean Regional Strategic Framework (GN-3201-5) by helping countries implement climate strategies that foster economic growth while ensuring environmental sustainability.. Similarly, the TC aligns with the objectives of *América en el Centro*, by helping countries implement climate strategies that foster economic growth while ensuring environmental sustainability. Additionally, the TC contributes to the *Amazonia Forever* initiative by supporting regulatory and investment priorities that balance conservation with sustainable economic development, promoting climate resilience and inclusive growth for Amazonian communities.

III. Description of Activities/Components and Budget

3.1 **Component 1. Development of economy-wide, sectoral policy and investment plan (US$120,000).** The objective of this component is to support the translation of national climate commitments into actionable policies and investment strategies that address the uneven distribution of climate risks and opportunities across the economy. This component will strengthen climate planning and policy instruments by working with lead institutions across relevant areas to design policies and investments aligned with national climate objectives while addressing specific risk profiles, technological readiness, and institutional capacity. Activities may include diagnosing existing technical bottlenecks, productive capability gaps, and regulatory framework misalignments that hinder transformations for decarbonization and resilience building.

The component will facilitate participatory investment planning processes to identify and validate investment needs, ensuring alignment with climate commitments and priorities while securing ownership by relevant institutions and planning bodies. Additionally, this component will integrate just transition and social equity principles into policy design by assessing socio-economic impacts, identifying opportunities for decent employment creation, and ensuring that vulnerable populations are protected throughout transitions. The component will also focus on strengthening institutional coordination mechanisms to align reforms with national climate strategies and ensure coherence across related areas, while developing regulatory and policy reforms that enable both decarbonization and climate resilience while maintaining economic stability and competitiveness. This component is thus focused on policy and investment planning.

3.2 **Component 2. Designing tools to enhance climate action (US$80,000).** This component aims to develop analytical tools, methodologies, and frameworks that support the implementation of climate action across the economy. Activities under this component may include developing analytical frameworks for assessing and designing climate action interventions; creating methodologies for estimating the economic benefits and costs of climate action; developing assessment tools for evaluating governance and institutional arrangements to effectively integrate climate policies into national strategies; designing instruments for identifying and addressing technical bottlenecks, productive capability gaps, and regulatory framework misalignments; and creating tools for incorporating just transition and social equity considerations into policy design and implementation. The component could also support developing mechanisms for enhancing institutional coordination and ensuring coherence across different areas of climate action. These tools and methodologies will be designed to address the uneven distribution of climate risks and opportunities while supporting participatory processes that secure ownership by relevant institutions and planning bodies. Unlike Component 1, this component is focused on developing analytical tools, methodologies and frameworks that help countries to implement policies and plans.

3.3 **Component 3. Knowledge dissemination and training (US$100,000).** The objective of this component is to disseminate the findings and tools developed through the previous components and promote multi-stakeholder engagement mechanisms to facilitate the exchange of knowledge and best practices among government institutions, private sector actors, and civil society. Activities under this component may include the publication and dissemination of technical documents, policy briefs, and analytical products; the organization of regional dialogues, workshops, and fora for knowledge sharing; the facilitation of peer-to-peer learning and capacity-building activities; the development of training materials and programs to strengthen institutional capacities for climate action implementation; foster regional collaboration and knowledge exchange among LAC countries and institutions, including relevant ministries, such as finance and treasury. The component will focus on promoting awareness and understanding of approaches to address the uneven distribution of climate risks and opportunities, participatory methodologies for climate action implementation, and just transition principles. Additionally, this component will support the scaling and replication of successful experiences and lessons learned, ensuring that knowledge products and capacity-building efforts contribute to broader regional learning and enhanced climate action across LAC countries.

3.4 The expected results of this technical cooperation include enhanced institutional capacities for translating climate commitments into actionable policies and investment strategies, improved understanding of approaches to address climate risks and opportunities across different economic areas, and strengthened coordination mechanisms among relevant institutions. The TC is expected to contribute to more informed decision-making processes regarding climate action implementation, while fostering knowledge sharing and peer learning among participating countries. Additionally, the operation aims to generate practical tools and methodologies that can support ongoing climate action efforts and contribute to building a foundation for sustained implementation of climate policies and investments in the region.

3.5 The total estimated cost of this operation is US$300,000, which will be financed with resources from the IDB's Ordinary Capital Strategic Development Program (OC SDP), specifically from its Window 2 (Sustainability – W2A).

Indicative Budget (US$)

Activity/Component Description	IDB Funding	Total
Component 1. Development of economy-wide, sectoral policy and investment plan	120,000	120,000
Component 2. Designing tools to enhance climate action	80,000	80,000
Component 3. Knowledge dissemination and training	100,000	100,000
Total	**300,000**	**300,000**

IV. Executing Agency and Execution Structure

4.1 Given the regional nature of the TC, the IDB will be the executing agency for the operation through its Climate Change Solutions Division (CSD/CCS), which will take responsibility for its supervision, disbursements, and procurement. CSD/CCS will coordinate with other IDB Group Departments and liaise with other key initiatives and stakeholders involved in designing, implementing, and financing climate-compatible economic planning to ensure synergies and avoid overlap.

4.2 This operation will be executed by the IDB during a 24-month execution period. The Responsible unit is CSD/CCS, which will coordinate with other internal departments and divisions and IDB networks, and create partnerships with academia, *think-tanks* and local and national governments when applicable and convenient.

4.3 All procurement activities to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be carried out in compliance with the applicable Bank policies and regulations as follows: (i) hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650); and (ii) contracting of services in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.

4.4 The technical and operational responsibility for TC implementation rests with the project team, which includes the team leader and alternate team leader, who are responsible for its execution in collaboration with the Climate Change Specialists in the IDB Country Offices in the beneficiary countries (to be defined).

4.5 **Monitoring and evaluation.** The monitoring of the TC will be carried out considering the indicators provided in the operation's Results Matrix, which include their respective means of verification.

4.6 All knowledge products generated from Bank-executed activities within this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, at the request of the beneficiaries, in accordance with the provisions of AM-331, the intellectual property of said products may also be licensed through specific contractual commitments that shall be prepared with the advice of the Legal Department.

V. Important Risks

5.1 Promoting climate action for sustained economic growth implies a certain degree of risk in terms of the continuity of actions, especially during electoral periods when there is the possibility of a change in authorities, which could result in a change in the priorities and level of commitment of regional initiatives and beneficiary governments. It is expected that this risk is mitigated by the multiple efforts of both the current country authorities and the Bank to promote and raise awareness among key stakeholders on the importance of the actions to be carried out. Likewise, to mitigate this risk, the IDB will contribute to generate spaces for coordination and joint work.

VI. Exceptions to Bank policy

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

VII. Environmental and Social Aspects

7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes

Results Matrix_48103.pdf

Terms of Reference_24299.pdf

Procurement Plan_55437.pdf