Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Concessional Finance in Latin America and the Caribbean
▪ TC Number:	RG-T4737
▪ Team Leader/Members:	Visconti, Gloria (CSD/CCS) Team Leader; Ramirez Ramirez, Gmelina Juliana (CSD/CCS) Alternate Team Leader; Lemos Alves Dos Santos Helder (CSD/CCS); Becker Seco Rosario Paz (LEG/SGO); Carias Flores Sara Hilda (CSD/CCS); Medeiros, Eduardo (CSD/CSD); Gomez, Juan Carlos (CSD/CCS); Diaz Hernandez Daniela (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS) Diaz Hernandez Daniela (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS) Diaz Hernandez Daniela (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	April 9th, 2025
▪ Beneficiary:	Borrowing member countries of the IDB
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	NDC Pipeline Accelerator Multidonor Trust Fund(ACL); OC SDP Window 2 - Sustainability(W2A)
▪ IDB Funding Requested:	NDC Pipeline Accelerator Multidonor Trust Fund (ACL): US$100,000.00 OC SDP Window 2 - Sustainability (W2A): US$250,000.00 Total: US$350,000.00
▪ Local counterpart funding, if any:	US$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	August, 2025
▪ Types of consultants:	Firms and Individual Consultants
▪ 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 The need for climate action has become ever more urgent, particularly in Latin America and the Caribbean (LAC), which is highly vulnerable to the impacts of climate change, including extreme weather events, rising sea levels and biodiversity loss. Ever since the adoption of the Paris Agreement, there has been a commitment to shift the current economic and social models towards a sustainable, resilient and zero-carbon development. The agreement includes a bottom-up approach where countries were asked to submit their own commitments to limit global temperature rise to well below 2ºC according to their national circumstances and priorities. These commitments are known as Nationally Determined Contributions (NDC), which in most countries in 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 and 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 there has been an increase in global climate finance, with annual investments surpassing the half-trillion dollars mark, this is still insufficient to meet the required investment needs, particularly for climate-resilient infrastructure and nature-positive projects. Annual global climate finance more than doubled from US$674 billion in 2018 to surpass its first trillion in 2021/22. Early estimates indicate that in 2023, it continued to grow, albeit more slowly, to US$1.5-1.6 trillion. Advanced economies accounted for 45 percent of climate finance from 2018 to 2022, China for 36 percent, Emerging Markets and Developing Economies for 16 percent—excluding Least Developed Countries (LDC) and China, and LDC for only 3 percent. LAC countries face financing gaps, especially in the context of adaptation needs, estimated at US$180 billion annually from 2020 to 2030. Without increased access to concessional finance, LAC countries may struggle to achieve their low-carbon and climate-resilient development goals (CPI, 2024).

2.4 The Inter-American Development Bank (IDB) recognizes the relevance of resource mobilization and states in its 2030 Institutional Strategy: 'Transforming for Scale and Impact' that climate finance is a strategic line of action to strengthen knowledge, institutional capacity, and promote low-carbon and climate-resilient interventions. As the partner of choice for Latin America and the Caribbean, the IDB Group has a critical role to play in supporting the region to address these challenges, capitalizing on the strengths and opportunities of both the region and the Group (IDB Group Institutional Strategy, 2024).

2.5 The IDB Group aligns all operations with the Paris Agreement, focusing on adaptation and resilience through governance frameworks, financial protection, and disaster risk reduction investments. It emphasizes the prudent use of concessional finance and blended finance to incentivize collective climate action and provide regional and global public goods. Concessional finance, offering favorable terms, is crucial for bridging financing gaps and enabling investments in climate-resilient infrastructure and nature -positive projects (IDB Group Institutional Strategy, 2024).

2.6 Through various mechanisms, the IDB has helped LAC countries secure funding from climate funds like the Green Climate Fund (GCF), the Climate Investment Funds (CIF), and the Global Environment Facility (GEF). Between 2021 and 2025, the IDB's support contributed to countries in the LAC region to secure more than US$1.3 billion from these sources. This is indicative of the IDB's capacity to unlock resources that are essential for tackling climate challenges in the region, and how it further strengthens the case for the continuity of this support that enhances resource mobilization for climate projects.

2.7 Given its experience, the Bank is well positioned to continue and expand its support to countries in channeling concessional funds, keep on leveraging its own resources and catalyzing private sector participation to achieve sustainable, resilient and zero -carbon development. This TC can play a key role in supporting countries' access to resources to achieve these purposes.

2.8 This TC will build on previous efforts to support LAC countries in accessing diverse sources of concessional finance from multilateral and bilateral funding mechanisms.[1] The primary objective is to strengthen the capacities of countries to: (i) prioritize and develop a strategic pipeline of climate-related projects that align with their national climate plans and international commitments; and (ii) prepare high-quality, bankable project and program proposals that meet the investment criteria of major climate concessional funds.

2.9 The TC is consistent with the IDB's Institutional Strategy: *Transforming for Greater Impact and Scale* (CA-631), and is aligned with the development challenges of: (i) addressing climate change, as it will assist borrowing member countries create climate-smart solutions for mitigation, environmental sustainability, adaptation issues, and renewable energy; and (ii) bolstering sustainable regional growth, 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 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).

2.10 Likewise, the operation is aligned with the objective of Biodiversity, Natural Capital, and Climate Action, as it directly contributes to the updating of countries' commitments under the UNFCCC. It also seeks to support the mobilization of capital toward regional climate priorities by facilitating access to concessional finance and international climate funds for the design and implementation of investments aligned with NDC. The TC is also aligned with the objectives of the Sustainability Window (W2A) of the Strategic Development Program for Ordinary Capital (OC-SDP) (GN-2819-14), specifically with themes related to expanding knowledge on climate change mitigation and adaptation, with a view to generating future investments supported by climate finance and contributing to the effective implementation of climate actions across the region.

III. Description of Activities/Components and Budget

3.1 **Component 1. Design of Projects to Access Concessional Finance (US$200,000).** This component will provide technical assistance for the design and structuring of at least three climate-related investment projects or programs eligible for concessional funding. Activities will include defining the intervention logic, aligning proposals with the investment criteria of major climate funds (e.g., GCF, GEF, CIF), and integrating gender, biodiversity, and nature-positive elements where relevant.

[1] The IDB successfully secured concessional climate finance s for over $1.25 billion across 34 operations in Latin America and the Caribbean which support country efforts on NDC implementation. These amounts have been calculated since the latest TC support received during 2020 (ATN/MC-18190-RG), generating the need to receive further financial assistance to continue delivering results. These concessional resources are key to cover the incremental costs of interventions to cover adaptation and mitigation. This TC will contribute to this effort, following the successful experience of ATN/MC-18190-RG.

Consulting firms and/or individual consultants will prepare project concept notes or full funding proposals, including supporting documentation such as implementation plans, logical frameworks, financial models, and climate rationales. The expected output will be fundable proposals ready for submission to targeted financing sources. The selection criteria of projectsunder Component 1 will be carried out in coordination with IDB Country Offices and national liaison agencies. Activities may originate from countries and must demonstrate alignment with countries' NDC and key IDB priorities, including climate mitigation and adaptation, regional integration, and sustainable infrastructure. Proposals will be assessed using, among others, criteria of major concessional climate funds (e.g., GCF, GEF, CIF), institutional readiness, scalability, and consistency with regional strategies.

3.2 **Component 2. Feasibility Studies and Institutional Strengthening (US$100,000).** This component will support the preparation of feasibility studies and related pre--investment documentation to assess the technical, financial, environmental, institutional, and social viability of projects identified under Component 1. These studies will cover elements such as cost-benefit analysis, safeguards screening, institutional readiness, and climate vulnerability assessments. In addition, the component will support activities that enhance institutional capacity to design, implement, and manage concessional finance initiatives in participating countries. For Component 2, feasibility studies and institutional strengthening activities will be prioritized based on countries' needs, also aiming at the preparation and implementation of technically sound, climate-aligned projects. . The Climate Change Solutions Division (CSD/CCS) will assess the readiness and complexity of selected proposals to determine the appropriate level of pre-investment support required. Eligible proposals will be screened to ensure alignment with climate and development goals, with a focus on supporting those that show strong potential to secure concessional climate financing. The selection process will also consider regional diversity and alignment with IDB regional initiatives.

3.3 **Component 3. Capacity Building and Knowledge Products (US$50,000).** This component will focus on strengthening institutional knowledge and disseminating lessons learned from the TC. Activities will include the organization of virtual or in-person workshops, technical exchange events, and the development of knowledge products such as guidance notes, case studies, and toolkits. These deliverables will support peer learning and build a community of practice among stakeholders in the LAC region on project preparation and access to concessional climate finance. The intended target audience for capacity building activities includes national and subnational government officials, climate finance focal points, project developers, and technical staff from ministries and executing entities involved in climate project preparation. The TC will tailor content to their specific needs, fostering practical skills through hands-on training, peer exchange, and knowledge sharing, with the aim of enhancing regional technical capacity to access and manage concessional finance.

3.5 The total estimated cost of this operation is US$350,000, of which US$250,000 will be financed with resources from Window 2 (W2A – Sustainability) of the Ordinary Capital Strategic Development Program (OC SDP), and US$100,000 with resources from the Pipeline Accelerator Multi-donor Trust Fund (ACL-NDC).

Indicative Budget (US$)

Activity/Component Description	OC SDP Funding	ACL-NDC Funding	Total
Component 1. Design of projects to access concessional finance	150,000	50,000	200,000
Component 2. Feasibility Studies and Institutional Strengthening.	50,000	50,000	100,000
Component 3. Capacity Building and Knowledge Products	50,000	0	50,000
Total	**250,000**	**100,000**	**350,000**

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 its Climate Change Solutions Division (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 All activities to be executed under this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the IDB's established procurement methods, namely: (i) hiring of individual consultants, as established in the Complementary Workforce Document (AM-650); and (ii) contracting services in accordance with the Institutional Procurement Policy (GN-2303-33) and its associated guidelines.

4.3 This TC will be executed by CSD/CCS, which has specialists in relevant areas such as climate change, gender and diversity, climate finance, Public-Private partnerships, sustainable infrastructure projects, etc. The TC will be executed according to each country's demand, conducting specific tasks carried out by consulting firms or individual consultants supervised by the team leader. To ensure that country-specific priorities are effectively captured, the TC will establish a structured mechanism for channeling demands. This will include coordination with IDB Country Offices and national liaison agencies to collect expressions of interest and project profiles, complemented by structured consultations. The Climate Change Solutions Division (CSD/CCS) will assess these inputs using predefined criteria to determine suitability for support under the TC.

4.4 CSD/CCS has the adequate structure and technical capacity to support countries in the LAC region to access international climate funds. This will enable the identification and design of key projects to allow governments in the region to 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 CSD/CCS in a specific country, the project team will obtain the corresponding Non-objection Letter from the official national liaison agencies with the IDB in such country.

4.6 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. 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 country's context.

V. Important Risks

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 The operation does not entail any exceptions to Bank policy.

VII. Environmental and Social Aspects

7.1 This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it falls outside the scope of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes

Results Matrix_48029.pdf

Terms of Reference_28553.pdf

Procurement Plan_56400.pdf