TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Strengthening Climate Change Risk Assessments of IDB Operations
▪ TC Number:	RG-T2644
▪ Team Leader/Members:	Co-Team Leaders: Maricarmen Esquivel (INE/CCS), and Hilary Hoagland-Grey (VPS/ESG); Team Members: David Wilk, Alfred Grünwaldt, Ana Iju, Martin Kerres, and Mariana Hernández (INE/CCS); Annika Keil and Roberto Leal (VPS/ESG); Tsuneki Hori, Ginés Suarez (INE/RND); David Maleki (INE/WSA); and Escarlata Baza (LEG/SGO)
▪ Indicate if:	Research & Dissemination
▪ If Operational Support TC:	N/A
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	May 6, 2015
▪ Beneficiary:	Regional
▪ Executing Agency and contact name:	Bank Executed: Double booking VPS/ESG and INE/CCS
▪ IDB Funding Requested:	US$400,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	22 months (execution period: 20 months)
▪ Required start date:	July 1, 2015
▪ Types of consultants:	Firm and individual consultants
▪ Prepared by Unit:	VPS/ESG and INE/CCS
▪ Unit of Disbursement Responsibility:	INE
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	No No
▪ GCI-9 Sector Priority:	Climate change and environmental sustainability

II. Objective and Justification

2.1 **Objective:** The objective of this Technical Cooperation (TC) is to increase the climate resilience of IDB operations through improving the assessment of climate change risk in IDB project preparation, in particular in the context of disaster risk management**.**

2.2 **Justification:** The effects of climate change pose a significant threat to sustainable development in the region. The expected impacts vary largely among regions and sectors and include among others increasing intensity and frequency of extreme weather events, a rising sea level and long term changes in water availability.[1] With large coastal centers, large societies depending on the water intense agriculture sector and some countries being subject to recurrent natural disasters, Latin America and the Caribbean (LAC) are particularly vulnerable to these impacts.

2.3 As part of sustainable planning, development projects take current and future development and risks into account in the design phase. Traditional factors include socioeconomic factors like population growth. In addition, it is necessary to thoroughly examine a project sector location on potential current and future climate risk. The global development community is currently discussing approaches to integrate climate change into their project cycle.[2]

[1] IPCC WG II (2014): Assessment Report 5: Impacts, Adaptation, and Vulnerability. http://www.ipcc.ch/report/ar5/wg2/

[2] OECD (2011): Harmonising Climate Risk Management Adaptation Screening and Assessment Tools for Development Co-operation. http://www.oecd-ilibrary.org/environment/harmonising-climate-risk-management

2.4 The Bank incorporated disaster risk (including hazards emanating from climatic variations) within the project cycle as part of the Disaster Risk Management (DRM) Policy (OP-704) in 2007.[3] The DRM guidelines (GN-2354-11) define a procedure to asses project disaster risk that includes: (i) project screening and classification, integrated in the safeguards system; and (ii) a Disaster Risk Assessment (DRA) if the project is classified as medium or high risk. In addition, and considering the additional impact due to the climate change, VPS/ESG is developing a methodology to incorporate the risk of climate change in these procedures and methodologies. A first-phase methodology for risk assessment for the Caribbean[4] was produced in 2014, which is being updated to include adaptation options.

2.5 However, there has been little experience in practice with detailed climate risk assessments (in the context of climate change and disaster risk management) during project preparation, partly due to funding and expertise limitations and lack of understanding of the needs and benefits. In addition, actors in the LAC (in both public and private sector) who implement the assessment in general have very little experience and capacity in complying with international climate risk assessment standards, leaving the field to a few international companies.

2.6 Strategic alignment: The TC is aligned with the Ninth Capital Increase (GCI9) sector priority to protect the environment, respond to climate change, promote renewable energy, and ensure food security. The IDB DRM Policy (OP-704) stipulates that "IDB financed public and private sector projects will include the necessary measures to reduce disaster risk from natural hazards to acceptable levels for both the Bank and the Borrower." The recent OVE Evaluation on climate change at the IDB recommends wider application of climate-risk screening tools and vulnerability assessments in relevant ongoing activities. In addition, Strategic Line C of the IDB Climate Change Action Plan calls for the development of instruments to make climate change an integral, everyday part of all Bank-funded operations. In 2014, VPS/ESG established an interdisciplinary climate risk community of practice whose core team includes members of ESG, CCS, RND and other units and conducted a workshop on climate risk management. This TC will strengthen the collaborative work under this group. CCS will contribute with its expertise on climate change projections and potential climate impacts on IDB projects, acting as service division for INE and other Bank departments.

III. Description of activities and outputs

3.1 Component 1: Development of strategic climate risk assessment tools and methodologies for IDB project preparation. This component will finance the development of tools and methodologies, including an updated climate risk assessment mechanism for IDB operations considering the limitations identified in ¶ 2.6. It will consider the lessons learned from existing mechanisms like the Safeguard Screening tool as well as from other Multilaterals Development Banks (MDBs) which are dealing with the similar challenges.[5] Under the component, tools and methodologies to implement the climate risk analysis will be developed and recommended for IDB approval. The results will also be published in a Technical Note or similar format. Output: Proposed tools to include climate risk considerations in IDB project preparation.

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[3] Directive A-2 Risk and Project Viability of the policy established that "Identification and reduction of project risk. Bank-financed public and private sector projects will include the necessary measures to reduce disaster risk to acceptable levels as determined by the Bank on the basis of generally accepted standards and practices."

[4] http://publications.iadb.org/handle

[5] An MDB climate risk working group was established in 2013.

3.2 Component 2: Implementation of climate risk assessment tools and methodologies to IDB projects. This component will implement the tools and methodologies for climate risk assessment to at least four IDB pilot loans previously screened as climate change sensitive as part of the safeguard screening process, including at least one non-sovereign guarantee (NSG) operation. The scope of the risk assessments will depend on the project characteristics and location. Activities should include the downscaling (when necessary) and verification of future climate projections as well as the assessment of asset vulnerabilities to the identified changes and the identification of suitable adaptation options including a calculation of their benefits and costs. **Output:** Climate change risk assessments for at least four IDB projects.

3.3 Component 3: Capacity building on climate risk assessments for IDB clients**.** This component will support public and private actors[6] in the LAC region to improve their understanding, knowledge and experience related to climate risk assessments. They will benefit from on the job training through joining the teams which will elaborate the climate risk assessments under component 2. This component will include at least two workshops, and the elaboration of one manual that can then be consulted for future projects. **Output**: Public and private actors involved in the elaboration of at least four climate risk assessments[7] for IDB projects, two workshops, and one manual on preparing and implementing climate risk assessments.

IV. Budget

Table 1. Indicative Budget

Component	Description	IDB/Fund Funding (US$)
Component 1	Development of a climate risk assessment process	50,000
Component 2	Climate risk assessments in IDB projects	250,000
Component 3	Capacity Building on climate risk assessments for IDB clients	90,000
Supervision and monitoring of activities		10,000
Total		**400,000**

V. Executing agency and execution structure

5.1 The IDB will be the executing agency of the funds, since the TC requires a central coordination. The execution period is expected to be no longer than 22 months and the disbursement period 20 months. The technical responsibility for the supervision within the Bank will be on charge of VPS/ESG and INE/CCS Divisions in Washington D.C., in coordination with the different Bank Divisions participating in the project. The disbursements will be made with the support of the Bank's procurement and contract officers.

VI. Project Risks and issues

6.1 The main risk of this TC is that funding for component 2 will remain unused. This risk will be mitigated by identifying eligible projects during safeguard screening.

VII. Environmental and Social Classification

7.1 The TC has been checked through the ESG safeguard screening. The activities don't have significant social or environmental impacts. The TC is therefore classified as a category C project.

[6] These could include private sector specialist firms working to assist the IDB in project preparation activities

[7] These may be completed as part of the disaster risk assessment (DRA) process in the safeguards procedures, or as a stand-alone assessment if this is more applicable to the stage of the project design and assessment.