

Technical Cooperation Abstract

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Strengthening the design and implementation of long-term climate strategies with public finance considerations
▪ TC Number:	RG-T4349
▪ Team Leader/Members:	DELGADO, C. RAUL (CSD/CCS) Team Leader; TORRES PELAEZ, DANIELA (IFD/FMM) Alternate Team Leader; SABINA BLANCO VECCHI (CSD/CCS); LOPEZ SOLANA, FATIMA ALEJANDRA (CSD/CCS); SOSA VILLATORO, ANA AYME (CSD/CCS); ESMERAL BERRIO, ROBERTO MARIO (CSD/CCS); QUEIROZ FENYVES, KATIA (CSD/CCS); SARA CARIAS (CSD/CCS); GOMEZ, JUAN CARLOS (CSD/CCS); MARTINEZ FRITSCHER, ANDRE CARLOS (IFD/FMM); GONZALEZ DE FRUTOS, UBALDO JESUS (IFD/FMM); CALDERON RAMIREZ, ANA CRISTINA (IFD/FMM); MUNOZ MIRANDA, ANDRES FELIPE (IFD/FMM); VILA SAINT ETIENNE, SARA (LEG/SGO); SIERRA TABORA CLARA ROCIO (CSD/CCS); MEDEIROS, EDUARDO (CSD/CCS); LEMOS ALVES DOS SANTOS HELDER (CSD/CCS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	28 Aug 2023
▪ Beneficiary:	National and local Governments from Mexico, Ecuador, Brasil & Guatemala
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$1,500,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individual consultants and firms
▪ Prepared by Unit:	CSD/CCS - Climate Change
▪ Unit of Disbursement Responsibility:	CSD/CCS - Climate Change
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The general objective of this technical cooperation (TC) is to support the development and implementation of long-term climate change strategies at the national, subnational or sectoral level that also contribute to improve the management of public finance and climate risks for Brazil, Ecuador, Guatemala and Mexico to fulfill their commitments to the Paris Agreement.
- 2.2 The general objective of this TC is to support the development and implementation of long-term climate change strategies at the national, subnational or sectoral level that also contribute to improve the management of public finance and climate risks for Brazil, Ecuador, Guatemala and Mexico to

fulfill their commitments to the Paris Agreement. The specific objectives of this TC are: (i) support the design of long-term strategies (LTS), which define the paths to achieve carbon-neutrality and climate resilience, as well as the package of policy actions to achieve them; (ii) facilitate the engagement of stakeholders at the national, sectoral and local levels, promoting understanding of the role that decarbonization and resilience play for sectoral development in each country, as well as the identification of the opportunities and barriers towards net zero economies; (iii) strengthen capacities for LTS implementation by designing instruments to increase climate action and sustainable and resilient infrastructure, minimizing financial risks such as stranded assets; (iv) incorporate climate risks and impacts into the economic and fiscal policy of the countries at the local and national level; and (v) enable a regional exchange to analyze the feasibility and socioeconomic benefits of decarbonization and climate adaptation in LAC—including potential challenges, barriers, solutions, as well as the lessons learned in the design of LTS at the country level. Operationalizing existing LTS requires the design of sectoral and subnational plans aligned with them. Previous IDB's work has shown that LTS are essential to guide actions in the short and medium term, and represent a key instrument to leverage international financing.

III. Description of Activities and Outputs

- 3.1 **Component 1. Design of long-term climate policy instruments at the national, subnational or sectoral level: long-term strategies; decarbonization pathways, adaptation and climate resilience plans.** This component will finance the design of methodologies and modeling work for local and national institutions to develop, update, or reformulate national, sectoral, and/or subnational climate change decarbonization or adaptation strategies; analyze emission reduction pathways in the main emitting sectors, and develop monitoring and reporting systems. These instruments also aim at informing the risks of stranded assets, the fiscal impacts of climate change and the emission reduction strategies.
- 3.2 **Component 2. Development of analytical tools to evaluate and manage physical, transition, and fiscal risks associated with climate change, barriers to decarbonization and adaptation; and policy instruments for the transition and implementation of net-zero economies.** This component will finance: (i) the analysis of climate, economic and fiscal risks and impacts; (ii) the quantification and monitoring of public spending on climate at the national or state level; (iii) the planning of public investment aligned with climate change goals; (iv) the identification of investment project pilot incorporating Nature-Based Solutions (NBS); and (v) the analysis of adaptation strategies to anticipate long-term risks and costs.
- 3.3 **Component 3. Communication, knowledge sharing and dissemination. Sharing results and best practices among countries.** This component will support: (i) development of capacity building workshops to disseminate experiences, lessons learned and opportunities that resulted from activities in Components 1 and 2 to governments in LAC; and (ii) publications capturing lessons learned and best practices that resulted from activities in Components 1 and 2.

IV. Budget

Indicative Budget (US\$)

Activity/Component	IDB Funding	Total
Component 1. Design of long-term climate policy instruments at the national, subnational or sectoral level.	925,000	925,000
Component 2. Analytical tools to evaluate and manage physical, transition, and fiscal risks associated with climate change.	475,000	475,000
Component 3. Communication, knowledge sharing and dissemination.	100,000	100,000
Total	1,500,000	1,500,000

V. Executing Agency and Execution Structure

- 5.1 Per Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the Bank will act as the executing agency given the regional nature of the TC and based on its technical and operational capacity. The IDB will implement the operation through its Climate Change Division (CSD/CCS), which will take responsibility for its supervision, disbursements and procurement. Additionally, CCS will coordinate with other IDBG departments and liaise with other key initiatives and stakeholders involved in designing, implementing and financing national and local climate long term strategies to ensure synergies and avoid overlap. The team leader will be responsible for the execution of the TC and will be supported by CCS specialists in the countries and specialists in other divisions such as FMM, which have been included as team members in this TC.
- 5.2 The CSD/CCS advises Management on climate change and sustainable development and develops overall Bank policies, strategies, operational guidelines and programs in these areas. It is also responsible for conducting relevant sector research, analytical work, best sector practices and case studies on climate change and sustainability and provides specialized technical sector support to climate change and sustainability-related operations and activities

VI. Project Risks and Issues

- 6.1 There might be some barriers to move forward with the implementation phase of climate adaptation and mitigation plans, given the different governments' institutional capacity at the country level in LAC where there may have not been prepared. To overcome this, the TC will build upon engagement already advanced across the region through other technical cooperation such as the TC RG-T4165, RG-T2713, RG-T3658, RG-T3657 and RG-T3283.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).