

## Technical Cooperation ABSTRACT

### I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Delivering Sustainable Finance: Connecting Financial Markets with Sustainable Assets
▪ TC Number:	RG-T2956
▪ Team Leader/Members:	Giovanni Leo Frisari (CSD/CCS) team leader; Hilen Meirovich (INO/NFP) co-team leader; Barbara Brakarz (CSD/CCS), Graham Watkins (CSD/CCS), Gmelina Ramirez (CSD/CCS), Jennifer Doherty-Bigara (CSD/CCS); Sven-Uwe Mueller (CSD/CSD); Tomás Serebrisky (INE/INE), Maria Cecilia Ramirez (INE/INE), Hendrik Meller (INE/INE); Maria Netto (IFD/CMF), Isabelle Braly-Cartiller (IFD/CMF), Omar Villacorta (IFD/CMF); Maria Tapia Bonilla (BDA/ACP), Jan Weiss (INO/FNP), Chiara Trabacchi (INO/NFP); Pilar Jimenez (LEG/SGO), Carlos Güiza (CSD/CCS), Maria Fernanda Alva (CSD/CCS), Juan Carlos Gomez (CSD/CCS).
▪ Taxonomy:	Research and Dissemination
▪ Reference to Request <sup>1</sup> : (IDB docs #)	
▪ Date of TC Abstract:	March 30 <sup>th</sup> 2017
▪ Beneficiary	Latin-American and the Caribbean countries
▪ Executing Agency and contact name	Inter-American Development Bank
▪ IDB Funding Requested:	US\$1,000,000
▪ Local counterpart funding, if any:	US\$250,000
▪ Disbursement period	36 months
▪ Required start date:	August 2017
▪ Types of consultants	Individuals and firms
▪ Prepared by Unit:	CCS
▪ Unit of Disbursement Responsibility:	CSD
▪ Included in Country Strategy	No
▪ TC included in CPD	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and Innovation; Climate Change and Environmental Sustainability, and institutional capacity and rule of law.

### II. Objective and Justification

- 2.1 The main objective of this technical cooperation (TC) is to support the mobilization of investment capital, particularly from domestic financial institutions in Latin America, towards sustainable infrastructure investments, which are defined as financially, economically, environmentally and socially sustainable assets.

<sup>1</sup> A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

- 2.2 An excessive fragmentation of sustainability standards, principles and initiatives, and the lack of commonly shared approaches is increasing investors' transaction costs and hindering their ability to assess investment in sustainable assets. Thanks to an already established intensive internal and external collaboration with relevant players in this field the IDBG is strategically positioned to lead the convening of key global and regional stakeholders (e.g. existing initiatives, financial regulators, central banks and leading financial institutions), in order to develop and support the implementation of a commonly agreed definition, governing principles and criteria for sustainable investments.
- 2.3 This TC aims at advancing the innovative work started with the TC operation "Framework to Foster Sustainable Elements in Infrastructure Projects" (ATN/OC 14981-RG) to create awareness about the importance to incorporate sustainability considerations in investments. This operation will contribute to, and benefit from the work of the IDBG Sustainable Infrastructure Working Group, currently developing a comprehensive definition for Sustainable Infrastructure, that will be agreed with both its public and private sector relevant divisions.

### III. Description of activities and outputs

- 3.1 This TC aims at supporting the following activities: (i) identify and profile institutional investors active in LAC; (ii) generate evidence of the long-term benefits of sustainable investment practices; (iii) support policymakers and private sector actors to implement sustainable investment strategies and comply with new and emerging regulations; and (iv) convene relevant global and local actors to facilitate knowledge exchange and peer-to-peer education.
- 3.2 **Component 1. Promote sustainable infrastructure investment strategies and support their adoption in LAC (US\$400,000).** This includes a review of investment strategies and financial models for sustainable investments currently available in LAC, which focus on local financial markets, as well as a dialogue about the instruments, policies and regulations that could ensure the promotion of sustainable investments at scale and the mobilization of domestic and cross-border financing in LAC.
- 3.3 **Component 2. Demonstrate the business case for sustainable investments (US\$100,000).** This work will generate quantitative, sector-specific evidence on how sustainability considerations are not only desirable to help achieve global development and climate goals, but are also supportive of long-term financial viability.
- 3.4 **Component 3. Support the implementation of sustainable investments in the regulation and management of financial markets in LAC (US\$200,000).** This work stream will support the incorporation of sustainability practices in domestic capital markets in selected LAC countries through the assessment of the current regulatory frameworks and the analysis of the available financial instruments and their effectiveness in mobilizing resources in each market.
- 3.5 **Component 4. Support the implementation of sustainable investments by financial institutions (US\$200,000).** This component aims at providing support to the practical implementation of sustainable finance practices by financial institutions operating in LAC (e.g. commercial banks, asset managers, national securities entities, central banks, institutional investors, banking networks, and capital markets).
- 3.6 **Component 5. Outreach and dissemination (US\$100,000).** This component will develop activities with the public and/or private sector in LAC to: (i) create awareness; (ii) disseminate and validate the findings; and (iii) promote a dialogue between public and private stakeholders.

#### IV. Budget

- 4.1 The total cost of the operation is US\$1,250,000 out of which US\$1,000,000 will be financed with resources from the Sustainable Energy and Climate Change Initiative Multi-Donor Fund (MSC). The remaining amount is the estimated in-kind client contribution.

Component	IDB Funding	Counterpart	Total
<b>Component 1.</b> Promote sustainable infrastructure investment strategies and support their adoption in LAC	400,000	0	500,000
<b>Component 2.</b> Demonstrate the business case for sustainable investments	100,000	0	100,000
<b>Component 3.</b> Support the implementation of sustainable investments in the regulation and management of financial markets in LAC	170,000	125,000	245,000
<b>Component 4.</b> Support the implementation of sustainable investments by financial institutions	180,000	125,000	255,000
<b>Component 5.</b> Outreach and dissemination	100,000	0	100,000
<b>Contingencies</b>	50,000	0	50,000
<b>Total</b>	<b>1,000,000</b>	<b>250,000</b>	<b>1,250,000</b>

#### V. Executing agency and execution structure

- 5.1 This operation will be executed by the Climate Change Division of the IDB (CCS), in close collaboration with the IIC Advisory and Blended Finance Team – co-leading the operation, the IIC Financial Products and Services Division, and the IDB Infrastructure and the Capital Markets and Financial Institutions Divisions.
- 5.2 The execution structure will be based on the coverage of the regional activities to be performed, which encompass possible synergies and complementarities with the IDB's operations and research (e.g. two ESWs on climate risk and sustainable infrastructure, the 2016 Regional Policy Dialogue and operations such as “Financing Implementation of Intended Nationally Determined Contributions” (ATN/MC-15367-RG) and “Support to Climate Change Units within Ministries of Finance” (ATN/OC-13069-RG)), in addition to the ongoing dialogue with relevant ministries in the region. CCS will coordinate with other relevant divisions of the IDBG including the public and private sectors, and will aim to create partnerships with key stakeholders including the academia and national governments.
- 5.3 The IDB will hire individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures.

#### VI. Project Risks and issues

- 6.1 The main risks for the successful and timely execution of the TC are the availability and quality of the information to be gathered and the level of qualification of the consultants required to perform the analyses and work proposed. To address and minimize these risks, progress has been made in the identification of trustworthy information sources, as well as a pool of candidates with the skills and experience needed to perform the required tasks.

#### VII. Environmental and Social Classification

- 7.1 According to the Environment and Safeguards Compliance Policy of the IDB (OP 703), operation has been classified as “C” (see the corresponding [Safeguard Screening Form](#) and the [Safeguard Policy Filter](#))