

## Technical Cooperation Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Support for Enabling Environment Conditions for the design and execution of Innovative Financial Instruments in CCB
▪ TC Number:	RG-T4561
▪ Team Leader/Members:	Doherty Bigara Rodriguez, Jennifer (CSD/CCS) Team Leader; Cox, Kambiri Shannon (INE/WSA) Alternate Team Leader; Mendoza Benavente, Horacio (LEG/SGO); Ruddock, Sheries Alethea (CCB/CCB); Ferrari Gisela (CSD/CCS); Prats Cabrera, Joan Oriol (IFD/CMF); Farah Al Taher (CSD/CCS); Franklin, Rochelle (CCB/CBA); Desai Amina (CSD/CCS); Gomez, Juan Carlos (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	09 Jul 2024.
▪ Beneficiary:	Barbados, Bahamas and Jamaica
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	NDC Pipeline Accelerator Multidonor Trust Fund(ACL); OC Strategic Development Program Window 3 - Transitory Emerging Need for Sustainable Development in the Caribbean(W3B)
▪ IDB Funding Requested:	NDC Pipeline Accelerator Multidonor Trust Fund (ACL): US\$250,000.00 OC Strategic Development Program Window 3 - Transitory Emerging Need for Sustainable Development in the Caribbean (W3B): US\$500,000.00 Total: US\$750,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (including Execution):	24 months
▪ Required start date:	November, 2024.
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	CCB/CBA-Country Office Barbados
▪ Unit of Disbursement Responsibility:	CCB/CBA-Country Office Barbados
▪ 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; Environmental sustainability; Gender equality

### II. Objectives and Justification of the TC

2.1 The resources of this technical cooperation (TC) will support the Caribbean Countries Cluster of the IDB (CCB), as they design and execute innovative financial instruments, such as Debt for Climate/Nature and thematic bonds. The idea of the project is to apply lessons and build capacity to expand and adapt to all seven target countries of the ONE Caribbean Program. Innovative climate finance opportunities are essential for Caribbean countries facing increasing debt burdens. One promising avenue is the development of “green and blue bonds”, which focus on funding climate as well as ocean-based climate resilience and sustainable marine projects. These bonds can

attract private investment and provide new revenue streams while enhancing climate investments and promoting the protection of marine ecosystems. Another opportunity lies in leveraging blended finance mechanisms that combine public, private, and philanthropic funding to de-risk investments in climate adaptation projects. Additionally, debt-for-climate swaps, where a portion of a country's debt is forgiven in exchange for commitments to climate action, can alleviate fiscal pressures while promoting environmental sustainability. These innovative financial instruments are crucial for enabling Caribbean nations to enhance climate resilience without exacerbating their debt challenges.

- 2.2 The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that to meet climate action commitments, the region needs annual investments between 3.7% and 4.9% of its GDP until 2030. This translates to mobilizing climate finance by increasing current levels seven to tenfold, given that climate finance in 2020 amounted to just 0.5% of the regional GDP. These figures need to be compared to the climate change projections for Caribbean countries, which indicate that: (i) rising temperatures resulting in increased heat stress and more frequent extreme heat events (+1.5°C by 2040); (ii) sea-level rise projections ranging from 0.4 to 0.6 meters under low-emission scenarios to as much as 1.6 meters under high-emission scenarios by 2100 exacerbating coastal flooding, erosion, and saltwater intrusion, impacting freshwater resources and coastal infrastructure; (iii) furthermore climate change is threatening the region's ecosystems, particularly coral reefs—up to 90% of coral reefs could be lost, severely impacting marine biodiversity and the livelihoods of communities dependent on these ecosystems if global temperature rises beyond 1.5C degrees; and (iv) furthermore water stress and food insecurity will increase under higher warming scenarios, with potential declines in fish catch potential and agricultural productivity.
- 2.3 Nonetheless, there is a strong economic case for such steps: making infrastructure more climate-resilient can have a benefit-cost ratio of about six to one, and enhance livelihoods as well as ecosystem conservation. On the biodiversity side, the Caribbean is home to 10% of the world's coral reefs, and 15% of the world's total mangrove area, which are essential for fisheries, tourism, and coastal protection. The annual economic value of these reefs is estimated at US\$3.0 to US\$4.0 billion. Additionally, mangroves and seagrasses in the region serve as crucial carbon sinks, with mangroves sequestering up to four times more carbon than tropical forests per unit area.
- 2.4 The TC will allow countries to achieve the commitments included in their Nationally Determined Contributions (NDCs), specifically their call for further access climate finance and other means of implementation and in alignment with the positions of the AOSIS, which seeks significantly scaled-up, new, additional, and predictable financial resources, including increased support for adaptation and green recovery packages, while seeking to ensure adaptation measures are country-driven. Barbados specifically considers innovative financial instruments, as SIDS currently receive a mere 2% of total climate finance flows. Higher income SIDS in the Caribbean, such as Barbados, Bahamas and Jamaica, face particular additional hurdles when it comes to securing international financial assistance<sup>123</sup>.

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<sup>1</sup> <https://unfccc.int/sites/default/files/NDC/2022-06..>

<sup>2</sup> <https://unfccc.int/sites/default/files/NDC/2022-11..>

<sup>3</sup> <https://unfccc.int/sites/default/files/NDC/2022-06..>

- 2.5 This TC is consistent with the Alignment to the Update to the Institutional Strategy: Transformation for Scale and Impact (CA-631). and is aligned with the objectives of: (i) addressing climate change. The operation is also aligned with the Institutional Strategy's operational focus areas of: (i) Biodiversity, Natural Capital and Climate Action, and (ii) Institutional Capacity, Rule of Law and Citizen Security, as it enhances CCB countries' capacity to access new markets under the opportunities offered by innovative climate/biodiversity financial instruments.
- 2.6 Additionally, it aligns with the IDB Group's One Caribbean Fund, Window 3 (Transitory Emerging Need for Sustainable Development in the Caribbean – W3B) of the Ordinary Capital Strategic Development Program (OC SDP) objectives by: (i) addressing inter-dependent underlying challenges in the Caribbean with a focus on high-impact resilient interventions under a regional approach; (ii) providing mechanisms to increase innovative financing and mobilization, improve capacity for project preparation and execution, enhance collaboration, and reduce risks; (iii) supplementing national focus, while deepening integration to boost scale, promote coordination and exploit comparative advantages; and (iv) boosting regional knowledge with partners to better address current challenges and identify opportunities and the next generation of priorities, of the ONE Caribbean (Partnering for Caribbean Development Framework) [GN-3201-5](#). Furthermore, it will support the realization of ONE Caribbean's thrust towards improving infrastructure resilience in the region and will be evaluated by the number of beneficiaries of enhanced resilient infrastructure projects.
- 2.7 Additionally, the TC is aligned with the objectives of the NDC Pipeline Accelerator Multi-Donor Trust Fund (ACL) (GN-2890), specifically with the Eligibility Criteria reflected as following: (i) it provides support to the preparation of Policy Based Guarantee (PBG) 5902/OC-BA; (ii) it is directly linked to participating countries' Nationally Determined Contributions (NDC) as it supports the debt for nature transaction included as a target; (iii) it is consistent with paragraph 2.9.c.: "Target mobilization of private and/or public capital towards sustainable projects aligned with the country priorities", as it will support the implementation of 5902/OC-BA, which will allow for savings under a bond issuance, that will be used to repay the new debt incurred in to finance the Barbados Climate Resilient South Coast Water Reclamation Project (5908/OC-BA), and excess savings will be channeled for further climate investments; and (iv) make a tangible and measurable contribution to climate change objectives, by promoting efforts to address climate vulnerabilities through the incorporation of adaptation or resilience measures, via the construction of a tertiary-level wastewater treatment plant to facilitate safe and sustainable water reuse.

### III. Description of Activities/Components and Budget

- 3.1 **Component 1. Design of the governance required for the Debt for Climate/Nature transactions, or thematic bonds (US\$250,000).** This component will support countries as they build robust and high-functioning mechanisms whereby funds can be effectively and transparently managed in the context of debt-for nature/climate instruments. It will finance activities such as: (i) advisory services from an experienced consultant to structure an independent account/trust fund, as well as the definition of a strategy for the operationalization of the DfCT/thematic bond; or (ii) legal fees.
- 3.2 **Component 2. Implementation of monitoring, reporting and verification (MRV) systems and institutional strengthening (US\$150,000).** This component will seek to enhance institutional arrangements and develop tools required to ensure a proper

execution of sustainability investments and their monitoring. It will finance the collection, monitoring and assessment of indicators and Key Performance Indicators (KPI) agreed under 5902/OC-BA.

- 3.3 **Component 3. Climate resilience in the water and agriculture sectors (US\$350,000).** The Government of Barbados is building a strong national climate and nature agenda that will require specific resources to ensure that climate change and sustainability are integrated at the institutional level in the planning process. The resources of this component will finance consultancies to carry out: (i) the design of a climate change strategy for the Barbados Water Authority (BWA); and (ii) the development and implementation of a campaign to promote water reuse in the agricultural sector. Both deliverables will consider a gender approach, the climate change strategy will require a specific section to understand the impacts on gender and for the water reuse campaign, the firm will be required to consider gender as a key variable for the strategy design and implementation.
- 3.4 The total estimated cost of this operation is US\$750,000, out of which US\$500,000 will be financed with resources from Window 3 (Transitory Emerging Need for Sustainable Development in the Caribbean – W3B) of the Ordinary Capital Strategic Development Program (OC SDP), and US\$250,000 from the Pipeline Accelerator Multi-donor Trust Fund (ACL-NDC).

**Indicative Budget (US\$)**

<b>Activity/Component Description</b>	<b>IDB Funding - OC SDP Window 3 (Transitory Emerging Need for Sustainable Development in the Caribbean – W3B)</b>	<b>IDB Funding Pipeline Accelerator Multi-donor Trust Fund (ACL-NDC).</b>	<b>Total</b>
Component 1. Governance for the Debt for Climate/Nature transactions, or thematic bonds.	150,000	100,000	250,000
Component 2. Implementation of MRV systems and institutional strengthening	150,000	0	150,000
Component 3. Climate resilience in the water and agriculture sectors.	200,000	150,000	350,000
<b>Total</b>	<b>500,000</b>	<b>250,000</b>	<b>750,000</b>

#### **IV. Executing Agency and Execution Structure**

- 4.1 The IDB will act as the executing agency, as it is an R&D technical cooperation, underlining its ability to leverage its extensive network of internal and external subject-matter experts and well-established relationships with stakeholders involved. The IDB Country Office in Barbados (CCB/CBA) will be responsible for the supervision and implementation of the resources, in close collaboration and coordination with CCB, the divisions and specialists involved in the operations that may benefit from this technical cooperation. The Unit of Disbursement Responsibility in be in CCB/CBA. For any activities to be conducted in the territory of any of the beneficiary countries, the Bank must obtain the no objection from the liaison entity in the respective country prior to the beginning of such activities.
- 4.2 All activities to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank’s established procurement methods, namely: (i) hiring of individual consultants, as established in the Complementary Workforce Document (AM-650); and (ii) contracting of services in accordance with the Institutional Procurement Policy (GN-2303-33) and its associated guidelines.

- 4.3 The knowledge products generated 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 a beneficiary, in accordance with the provisions of AM-331, the intellectual property of said products may also be licensed to one or more beneficiaries through specific contractual commitments that shall be prepared with the advice of the Legal Department.

## **V. Important Risks**

- 5.1 This major risk to this TC will be the coordination amongst different stakeholders and the active participation of all Ministries identified as critical in all the countries involved. They will be the main providers of data and overtime of the correct operationalization of the resources.
- 5.2 To mitigate this, CCB/CBA will centralize the execution of all products given its local implementation and will liaise accordingly with colleagues in CCB for the execution of the other products.

## **VI. Exceptions to Bank policy**

- 6.1 This operation does not include 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\\_12824.pdf](#)

[Terms of Reference\\_8405.pdf](#)

[Procurement Plan\\_63734.pdf](#)