

## Technical Cooperation Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Supporting the deployment and expansion of the IDB CLIMA Pilot Program
▪ TC Number:	RG-T4697
▪ Team Leader/Members:	Brusa, Federico (CSD/CCS) Team Leader; Juarez Olvera, Mariel (CSD/CCS) Alternate Team Leader; Carvallo Vazque Agustina (CSD/CCS); Lemos Alves Dos Santos Helder (CSD/CCS); Holo Caroline Marie (CSD/CCS); Ortiz De Zarate Maria Laura (CSD/CCS); Casalino Franciskovic, Juan Manuel (LEG/SGO); Pacheco, Manuel (VPC/VPC); Restrepo Duarte Daniella (CSD/CCS); Borja Diaz Felipe (CSD/CCS); Gutierrez Henao Andrea Carolina (CSD/CCS); Carias Flores Sara Hilda (CSD/CCS); Robert, Carolyn (VPC/VPC); Medeiros, Eduardo (CSD/CSD); Gomez Gomez De La Torre Mar (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Sierra Tabora Clara Rocio (CSD/CCS); Angulo Henriquez Daniella Andreina (CSD/CCS); Sanchez Greer Rilla May (INE/WSA); Rodriguez Ochoa Asier (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	February 13 <sup>th</sup> , 2025
▪ Beneficiary:	Latin-American and Caribbean Region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Sustainability(W2A)
▪ IDB Funding Requested:	US\$1,450,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period:	36 months
▪ Required start date:	March 30 <sup>th</sup> , 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	Sustainable, resilient, and inclusive infrastructure

### II. Objectives and Justification of the TC

- 2.1 Since its approval in September 2023, the IDB CLIMA Pilot Program has received expressions of interest from more than 14 countries. By December 2024, three pilot projects were approved: Honduras, Colombia, and Paraguay (from the ENE and WSA sectors, respectively). Currently, several countries in the region are implementing the initiative. By December 2025, between 7 and 10 additional projects will be approved by the Board. These countries will be among the future beneficiaries of the pilot program. The Objective of this regional research and dissemination technical cooperation is to support the ongoing development and deployment of the IDB CLIMA

Pilot Program. IDB CLIMA is a Pilot Program with a results-based approach that rewards countries (upon achievement of three KPIs) that invest in the necessary capacities to access financing from thematic and green debt. The IDB CLIMA Pilot Program applies to all IDB public investment loans that meet the Program's eligibility criteria. The expansion of the Pilot Program implies the development of different tools, research products and dissemination activities. Specifically, resources from this TC will be employed to: (i) generate the needed knowledge to review and bolster the IDB CLIMA Pilot Program's vertical logic and intervention scope; (ii) develop and deploy a Program-level and a Project-level Monitoring, Evaluation and Learning (MEL) approach; (iii) carry out the needed research and dissemination activities to support the incorporation of lessons learned as the IDB CLIMA Pilot Program is being implemented; (iv) carry out the needed research activities to constitute the case for a potential expansion of the Pilot Program, including a potential donor-focused outreach; and (v) conduct needed corporate-level capacity building efforts and the development of needed support knowledge products to assist the deployment of the IDB CLIMA Pilot. At a global scale, current public and private biodiversity and climate capital flows are inadequate to meet sustainability objectives. To bridge this gap, the international community has asked International Financial Institutions (IFI) to revise and update the architecture of the multilateral development system and particularly the climate finance policy landscape. Multilateral Development Banks (MDB) have been given a mandate to develop new instruments and deepen their research into effectiveness. The international community has also called upon MDB and IFI to reform their practices and priorities to ensure access and mobilize climate finance from various sources. This mandate includes an increase in the delivery of environmental finance, while also lowering interest rates, helping increase fiscal space and support the development of the tools needed to achieve scale on climate action.

- 2.2 Given the innovative nature of the IDB-CLIMA Pilot Program, as well as its strong focus on development effectiveness, specific research, compilation, and the analysis of lessons learned in projects and interventions will also be conducted to support the deployment and improvement of the mechanism. Additionally, training and communication materials must be developed and deployed within the IDB and with Latin-American and Caribbean (LAC) partners, to ensure the mechanism is known and the specific requirements for its use are understood by technical teams and counterparts.
- 2.3 To support IDB-CLIMA objectives, a specific three stage intervention framework is being designed: the Green Transition Framework (GTF). This fit-for-purpose Green Transition Journey Framework will support borrowers as they build their capacities to mobilize finance at the needed scale for nature, resilience and climate action. Beyond sector-specific enhanced ambition indicators, the GTF stages are designed so that a borrower can evolve its capacities from an incipient stage to a final stage where it can mainstream access to thematic debt markets within its debt issuance strategy. At that stage, it becomes feasible for countries to aim for the level of capital mobilization that is needed to meet biodiversity and climate targets. For each stage, the Framework considers specific outcomes and specific types of Key Performance Indicators (KPI) (three types) under two thematic areas. While the GTF will provide KPI at a sector level, an overall readiness level for borrowers, defined together with the relevant authorities, will help tailor IDB support. As national and international green financial markets grow and evolve, recent experience illustrates the need to avoid greenwashing risks. In the case of emerging economies, greenwashing may also lead to reputational risk which could affect sovereign credit ratings. The inclusion of type-2

and type-3 KPI seeks to ensure that pilot projects contribute to the bolstering of national Monitoring Reporting and Verification (MRV) and policy frameworks that mitigate such risks and can thus help sovereign borrowers safely access thematic debt markets with robust, and verifiable indicators. In turn, these are designed so that they are suited to the time horizon of pilot projects. Throughout the execution of the Pilot Program, a MEL approach will be designed and executed to review the adequacy of the Framework and help calibrate expected outcomes as well as inputs and outputs of potential, similar, future operations.

- 2.4 In addition to promoting increased climate and biodiversity ambition and results, IDB-CLIMA seeks to help countries leverage additional financing through improved access to green and thematic debt markets. To do so, the mechanism emphasizes strengthening local capacities on climate governance, measuring, reporting and verification of project-driven climate and biodiversity goals —helping countries achieve scale and monetizing their enhanced transparency, and improving capacities to access green and thematic debt markets. The IDB-CLIMA Pilot Program will encourage a green transition in LAC, with a focus on development, effectiveness and transparency. All IDB eligible public sector borrowers may prepare IDB-CLIMA projects, regardless of their capacities and developmental stage.
- 2.5 This TC aligns with the IDB's Institutional Strategy for 2024-2030 by expanding its scale through financial innovation, which is one of the five key channels identified by the IDB Group to enhance its scale and impact, as outlined on page v of the document. Specifically, the operation aligns with the strategic objective of addressing climate change; and the "Biodiversity, Natural Capital, and Climate Action" cross-cutting theme. The TC is further aligned with paragraph 2.29 of the Climate Change Sector Framework Document (GN-2835-13), as well as with the objectives of the Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-14) and the inclusive economic growth priority. Specifically, the TC aligns with the objectives of supporting the development and application of innovative approaches to facilitate the inclusion of cross cutting themes that are critical for long term growth, as they are described in paragraph 5.18 of said document. Consistent with the IDB Group Climate Change Action Plan 2021-2025 (GN-2848-9), the TC emphasizes the importance of improving both the quantity and quality of disaster risk information across hazard, exposure, and vulnerability dimensions, while also strengthening clients' capacities to generate, manage, and leverage this data to shape informed development policies. The TC is aligned with the Gender and Diversity Sector Framework Document (GN-2800-10) by integrating inclusive approaches into resilience planning, ensuring gender balance in capacity-building initiatives and decision-making processes. The TC also aligns with the objectives of the Ordinary Capital Strategic Development Program (OC SDP), Window 2 – Sustainability (W2A).

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

- 3.1 **Component 1. Strengthening of the Pilot Program's Vertical Logic (US\$465,000).** Activities under this component will contribute to the robustness and expansion of the IDB-CLIMA Pilot Program's vertical logic. Drawing on early lessons learned from the development of a first set of Pilot projects (investment loan operations), this component will finance consulting services focused on the review of the IDB-CLIMA Operational Guidelines. In addition to the "core" guidelines, sector manuals will also be prepared. For each sector, three levels of institutional development (as per the GTF) will be considered for each of the KPI as well as for each of the dimensions (mitigation,

adaptation and resilience, as well as nature and biodiversity preservation). This implies that for each sector, up to twenty-one specific guiding criteria will need to be developed to support the crafting and calibration of IDB-CLIMA relevant KPI. Additional research will be conducted so that for each sector, specific result and product indicators are developed to guide the design of pilot project result matrices. Activities under this component will also include specific research to support the development of said KPI, with a view to the development of IDB-CLIMA pilot projects. Finally, activities under this component will focus on evidence compilation, research to further bolster, and improve operational tools that support the design of Pilot projects such as the GTF Assessment Questionnaire and the GTF Roadmap. In addition to these efforts, activities will also focus on state-of-the-art research to ensure that interventions under the IDB-CLIMA Pilot Program incorporate the best practices in green, results based, finance.

- 3.2 **Component 2. Deployment and bolstering of the IDB-CLIMA MEL approach (US\$205,000).** Activities under this component will focus on two dimensions of MEL efforts. The first dimension will focus on program-wide MEL efforts related to the milestones, opportunities, and challenges tied to the deployment of the IDB-CLIMA Pilot Program. In addition to these reporting efforts, activities pertaining to this dimension will also focus on the research activities needed to test and validate relevant hypothesis and lessons learned, with the objective of improving the Pilot Program. Finally, activities under this dimension will also include the research needed for the development of a comprehensive logical framework (logframe) for the potential operationalization of an IDB-CLIMA donor scheme. The second dimension of the IDB-CLIMA MEL approach will focus on the recompilation and analysis of knowledge generated through the design, approval, and execution of pilot projects. These research activities will focus on the improvement of project-level execution. Activities under this component will thus establish the needed infrastructures to ensure the achievement of this TC's second outcome in that the impact will be verifiable.
- 3.3 **Component 3. Research to support the potential expansion of the IDB-CLIMA Pilot Program (US\$320,000).** Activities under this component will focus on state-of-the-art research pertaining to the current capacities and limitations of the region to access green thematic debt markets as well as the capacities, limitations, and opportunities to bolster the development of local green financial markets where relevant. These research activities will be complemented by: (i) sector-specific deep dives to better understand the opportunities and pitfalls of what a green transition entails for each sector, enabling the identification of best support paths for the IDB-CLIMA Pilot Program; and (ii) specific regional and sub-regional capacity assessments to comply with the objectives of the Pilot Program. These deep dives will support the calibration of KPI requirements in line with the objectives of the GTF. Further research activities will also support the deployment of corporate-level top-down GTF which will complement the bottom-up sector manual approach, with the intent of providing a comprehensive intervention framework for Green Finance efforts.
- 3.4 **Component 4. Incorporation of lessons learned and development of a revised potential expansion of the IDB CLIMA Pilot Program. Capacity Building and knowledge dissemination (US\$100,000).** Activities under this component will focus on supporting the design of a potential expansion of the IDB-CLIMA Pilot Program. Specific activities will include growth trend models to define ambition thresholds; as well as the needed editing, translating, graphic design services required for the development of a revised proposal of the IDB CLIMA Pilot Program. Also, this revised proposal will seek to expand the total sample of projects.

- 3.5 **Component 5. Training and capacity building efforts (US\$360,000).** Activities under this component will help bolster internal and regional capacities to develop and implement IDB-CLIMA pilot projects. Specifically, funded activities will include: (i) the development of internal IDB capacity building and lessons learned workshops with a focus on VPS and VPC participants of Pilot Projects; (ii) the design and execution of in-person and online training and training materials for use by IDB staff; (iii) the development of relevant internal and external communications products to position the Pilot Program; (iv) the development of external workshops to increase the knowledge and footprint of the IDB-CLIMA Pilot Program amongst MDB and at relevant international fora; and (v) other necessary training activities pertaining to the successful deployment of the IDB CLIMA Pilot Program with a focus on IDB clients engaging in IDB CLIMA Pilot Projects.
- 3.6 The total estimated cost of this project is US\$1,450,000, which will be financed with resources from the Ordinary Capital Strategic Development Program (OC SDP), specifically from its Window 2 – Sustainability (W2A).

**Indicative Budget (US\$)**

<b>Activity / Component Description</b>	<b>IDB Funding</b>	<b>Total</b>
Component 1. Strengthening of the Pilot Program's Vertical Logic.	465,000	465,000
Component 2. Deployment and bolstering of the IDB CLIMA MEL approach.	205,000	205,000
Component 3. Research to support the potential expansion of IDB CLIMA Pilot Program	320,000	320,000
Component 4. Incorporation of lessons and development of the potential expansion of the IDB CLIMA Pilot Program.	100,000	100,000
Component 5. Trainings and capacity building efforts.	360,000	360,000
<b>Total</b>	<b>1,450,000</b>	<b>1,450,000</b>

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

- 4.1 In accordance with the Bank's applicable policies and procedures, the Bank, through its Climate Change Solutions Division (CSD/CCS), will be the executing agency of this TC<sup>1</sup>. Additionally, CCS will coordinate with other IDB Group departments and vice presidencies and liaise with other key initiatives and stakeholders involved in the design, implementation, and financing of IDB-CLIMA pilot projects. Supervision will be carried out by the CSD/CCS Team Leader.
- 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 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 All knowledge products generated as part of 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, the intellectual property of said products may also be licensed to one or more beneficiaries through specific

<sup>1</sup> According to Annex II of OP-619-4, Research and Dissemination technical cooperation operations by definition are Bank initiatives, hence it is responsible for the selection and hiring of consultancy services; no justification is required.

contractual commitments that will be prepared with the advice of the Bank's Legal Department.

## **V. Important Risks**

- 5.1 The development of the IDB-CLIMA Pilot Program's region-wide approach must account for existing national specificities that may hinder regional replicability. Specific political economy considerations arising from factors such as local regulation, budget, and balance of payment priorities, as well as sector specificities may also hinder the replicability of IDB-CLIMA Pilot Program. Integrity clauses and special intellectual property agreements that need to be included in TC agreement, if any, should be specified. The MEL approach developed through this TC will support the mitigating response capacities to this risk.
- 5.2 Concerning the development of specific guidelines for KPI, existing knowledge limitations regarding biodiversity and adaptation (with a focus on adaptive capacity) must be accounted for. CSD/CCS experience in different national contexts, as well as IDB Group experience will prove instrumental in mitigating these risks. The knowledge products developed through this TC will also help address the IDB-CLIMA Pilot Program knowledge gaps in a timely approach that contributes to the success of the Program.

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

- 6.1 No exceptions to Bank policies have been identified for this operation.

## **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\\_28467.pdf](#)

[Terms of Reference\\_37560.pdf](#)

[Procurement Plan\\_81791.pdf](#)