



Mid-term Evaluation of IDB-9 Commitments

IDB Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy

Background Paper



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ABSTRACT

This paper reviews the Inter-American Development Bank's (IDB's, or Bank's) Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (CCS). The Strategy was produced as a requirement of the IDB-9 Agreement and approved by Board of Executive Directors in March 2011. Management produced an Action Plan for the CCS in February 2012. Although the IDB-9 also mentions "food security" as a sector priority, the CCS does not include this topic, nor does it discuss "protection of the environment" more generally.

In reviewing this and other sector strategies mandated in IDB-9, the Office of Evaluation and Oversight (OVE) asks two questions: Does it make sense? and Does it make a difference? The CCS is based on strong analytical work, though it does not prioritize among different agendas/instruments or highlight a key comparative advantage of the Bank: the IDB's ability to use technical cooperation grants to help its client countries prepare new investment operations and build needed institutional capacity. The CCS does not identify risks or provide indicators and a monitoring and evaluation framework for implementing the Strategy.

IDB-9 provides a lending target of 25% by 2015 for operations for climate change, renewable energy, and sustainable environment. The number of operations has indeed increased over time. In January 2012, the Office of Strategic Planning and Development Effectiveness approved guidelines for classifying lending program priorities (GN-2650) to help ensure consistent classification and compliance with IDB-9 lending targets. These guidelines are very broad and have led to classifying about one-third of the IDB portfolio under these objectives in 2011 and 2012. It is unclear whether these numbers accurately reflect the actual size of the climate change portfolio.

The Bank's internal staff capacity in the area of climate change has grown. The formal establishment of a Climate Change and Sustainability Division not only signals a more permanent Bank institutional commitment in and to this area, but also reportedly gives the unit greater autonomy and flexibility in terms of the operations it leads or co-leads with other divisions, including the division responsible for private sector operations. However, it is not clear if creating a new parallel sector division is the most appropriate and effective way of mainstreaming climate change considerations in the operations of other sectors.

In sum, although the IDB has taken positive steps to increase its focus on climate change and environmental sustainability, the CSS is more of a conceptual document and an institutional confirmation of an evolving new area of engagement than a strategy to prioritize and guide this work.

PREFACE

The Inter-American Development Bank (IDB) is in a period of rapid change, responding to both the economic dynamism of the Region it serves and the increasing competition in the international financial marketplace. Over the past decade, countries in Latin America and the Caribbean have gained greater access to alternative sources of finance and an increasingly ability to generate and share knowledge among themselves. Like other multilateral development banks, IDB is seeking to adapt to this changing international landscape by ensuring that it is responsive to borrowing countries' needs and putting strong emphasis on effectiveness in its use of scarce resources.

In 2010 the IDB's Board of Governors approved the 9th General Capital Increase of the IDB (IDB-9). The IDB-9 Agreement laid out a series of reforms intended to strengthen the strategic focus, development effectiveness, and efficiency of the IDB to help it remain competitive and relevant in the years ahead. As part of that Report, IDB's Office of Evaluation and Oversight (OVE) was charged with conducting a midterm evaluation—to be presented to the Board of Governors in March 2013—to assess IDB's progress in implementing those reforms. The full evaluation is available at www.iadb.org/evaluation.

This paper is one of 22 background papers prepared by OVE as input to the IDB-9 evaluation. It seeks to determine whether one portion of the IDB-9 requirements has been implemented fully and effectively and to offer suggestions to strengthen implementation going forward. The overarching goal of this paper and the entire evaluation is to provide insights to the Governors, the Board, and IDB Management to help make IDB as strong and effective as possible in promoting economic growth and poverty reduction in Latin America and the Caribbean.

TABLE OF CONTENTS

[ABBREVIATIONS AND ACRONYMS](#)

[EXECUTIVE SUMMARY](#)

I.	INTRODUCTION	1
A.	Background and context	1
B.	Methodology	2
II.	FINDINGS	3
A.	Does the Climate Change Strategy make sense?	3
1.	Diagnosis and analysis	4
2.	Objectives and logical consistency	11
3.	Implementation arrangements	13
4.	Risks and mitigation	17
5.	Indicators	18
6.	Monitoring and evaluation	21
B.	Does the Strategy make a difference?	22
1.	Portfolio analysis: Before and after the CCS	22
2.	Analysis of resources and capabilities	32
3.	IDB staff survey	34
III.	SUGGESTIONS GOING FORWARD	36

[REFERENCES](#)

[LIST OF PERSONS INTERVIEWED](#)

ANNEX A: [SECTOR STRATEGY ASSESSMENT RATINGS](#)

ANNEX B: [MATRIX: CCS AND ACTION PLAN](#)

ANNEX C: [PORTFOLIO ANALYSIS](#)

This background paper was prepared by John Redwood and Lourdes Alvarez Prado under the guidance of Veronica Gonzalez Diez. The team wishes to thank IDB staff and consultants for their time and help in the consultation process. The team also thanks Yuri Soares and Oliver Azuara for comments on earlier drafts. All background papers were thoroughly reviewed and discussed within OVE and shared with IDB Management for comments. The other background papers and full IDB-9 evaluation can be found at www.iadb.org/evaluation.

ABBREVIATIONS AND ACRONYMS

CCS	Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (Climate Change Strategy)
CDM	Clean development mechanism
GDP	Gross domestic product
GHG	Greenhouse gas
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase
LAC	Latin America and Caribbean
MDB	Multilateral development bank
MSC	Multidonor SECCI fund
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PPP	Purchasing power parity
SCI	Ordinary Capital Special Program
SECCI	Sustainable Energy and Climate Change Initiative
SPD	Office of Strategic Planning and Development Effectiveness
TFA	Trust Fund Appointee
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
VPC	Vice Presidency for Countries
VPF	Vice Presidency for Finance and Administration
VPS	Vice Presidency for Sectors and Knowledge

EXECUTIVE SUMMARY

The Inter-American Development Bank (IDB, or Bank), in its Ninth General Capital Increase (IDB-9), identified as one of its five “sector priorities” to protect the environment, respond to climate change, promote renewable energy, and ensure food security. In this connection, the Bank’s Results Framework for 2012-2015 included a specific target of 25% of its total commitments by the end of 2015 for “lending to support climate change initiatives, sustainable (including renewable) energy, and environmental sustainability,” up from an estimated 2006-09 baseline share of 5%. It also required that a Climate Change Strategy be presented to the Bank’s Board of Executive Directors in 2010 to “guide and scale up support for actions for climate change mitigation and adaptation,” and be followed by an action plan. The Results Framework also stated that “climate change lending targets will include (a) adaptation; (b) mitigation; and (c) sustainable practices,” which include “activities in conservation and sustainable use of biodiversity, reduction of industrial contamination, including management of persistent organic contaminants [as well as] institutional strengthening for environmental sustainability and climate change adaptation or mitigation activities.” However, it did not specify lending targets for each of these three areas.

Before the IDB-9, the Bank had already stepped up its support in these areas through the Sustainable Energy and Climate Change Initiative (SECCI), which was formally endorsed by the Board of Governors in March 2007. SECCI was financed through two parallel trust funds established in 2008, the first with ordinary capital resources from the Bank itself and the second with external resources from a number of bilateral donors. SECCI’s main purpose was to strengthen the Bank’s own capacity and that of its borrowing member countries in the interrelated areas of sustainable energy and climate change mitigation and adaptation.

In response to the IDB-9 requirements, the Bank developed and approved an Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (CCS). The Strategy was formally presented to the Board of Executive Directors in March 2011. In January 2012, the new Climate Change and Sustainability Division was established in the Vice Presidency for Sectors. Management produced an Action Plan for the CCS in February 2012. Although the IDB-9 Sector Priorities refers to “protect the environment, respond to climate change, promote renewable energy and ensure food security (AB-2764 §3.18), the CCS does not include “food security,” nor does it discuss “protection of the environment” more generally.

Strategy and action plan

The CSS is more of a conceptual document and an institutional confirmation of an evolving new area of engagement than a managerial instrument to prioritize and guide the Bank’s work. The Strategy and its Action Plan present a good background analysis of the problems and challenges that need to be addressed with respect to climate change at the regional level: impacts of climate change, climate vulnerability and adaptation needs, climate change mitigation priorities, and cross-cutting dimensions and institutional

challenges. The CCS does not prioritize among these different agendas. Furthermore, the Strategy underemphasizes a key comparative advantage of the Bank with respect to other multilateral and bilateral development agencies: its ability to use technical cooperation grants to help its client countries prepare new investment operations and build needed institutional capacity, as well as to blend these interventions with policy-based loans and more conventional investment projects, which both makes them financially more attractive and can enhance their development effectiveness.

The CCS has shortcomings with respect to its results framework and the identification of risks and needed mitigation measures associated with the effective implementation of the Strategy. Two important potential risks are not explored in any detail: potentially insufficient client country demand for Bank support for actions in support of climate change mitigation and adaptation and sustainable and renewable energy, and insufficient internal cross-sectoral coordination and collaboration within the Bank itself. With respect to the results framework, the strategy does not contain adequate results indicators for every agenda, and it provides only a limited link between the monitoring and evaluation framework of the CCS and the commitments made in IDB-9.

The Action Plan also does not provide a comprehensive set of indicators or a detailed monitoring and evaluation framework for implementing the Strategy. The Action Plan seems to be more of a revised Strategy—adding some new activities that are not mentioned in the CCS while overlooking others that are—than a true action or business plan that indicates how the many specific actions and commitments announced in the Strategy will be carried out in practice during which year, by which specific Bank divisions, at what anticipated cost, and where the needed financial and other resources for these purposes are likely to come from. Because the CCS is a cross-sector strategy, a strong Action Plan would be important to send clear signals within the Bank as to what divisions are responsible for implementing which specific actions and/or delivering which specific desired outcomes in what specific timeframe and, thus, to establish clear internal transparency and accountability for such results.

Evolution of the portfolio

The Bank's operations for renewable energy and climate change mitigation and adaptation have increased substantially over time. According to the SECCI Reports, between 2007 and 2010 IDB approved 58 loans related to sustainable energy and climate change (51 projects) in 18 countries, and one regional operation, involving total commitments of nearly US\$6.4 billion. In 2011, there were 33 such loans for 30 projects in 16 countries, and three regional operations, involving commitments of more than US\$2.7 billion—13% of the Bank's total loans and 19% of its commitments in that year. Thus, both the number of loans and commitments for sustainable energy and climate change increased in 2011 relative to previous years.

In January 2012, the Office of Strategic Planning and Development Effectiveness (SPD) approved guidelines for classifying lending program priorities (GN-2650). Lending targets create incentives for broad classification, and the guidelines in this area are broad and somewhat arbitrary. Using SPD guidelines, between 2006 and June 2012, 319

lending operations (and 708 technical cooperation operations) involving total commitments of nearly US\$19 billion are reportedly classified under climate change, renewable energy, and sustainable environment objectives. According to the Bank's latest budget document, the 25% lending target has been exceeded in both 2011 and 2012.

The IDB also approved a large number of technical cooperation operations and produced an increasing number of country and sector notes. Technical cooperation operations funded by the two SECCI trust funds have played an important role in the identification and/or preparation of new Bank-financed investment projects in these areas in both the public and private sectors and have provided key support for policy-based reforms.

Additionally, Management has produced an increasing number of climate-change-related inputs for new Country Strategies. Since 2011 "sector notes" on climate change have been prepared or are currently under preparation as inputs for new strategies for nine countries (Argentina, Bahamas, Belize, Brazil, Ecuador, Guyana, Jamaica, Peru, and Trinidad and Tobago) and climate-related "dialogue notes" have been prepared for three others (Guatemala, Mexico, and Nicaragua). The Bank's lending program ultimately depends on its borrowers' demand, and Country Strategies—and the associated dialogues—are key ways of influencing this demand. Yet the extent to which the content and recommendations contained in these notes are reflected in Country Strategies and subsequent country dialogue remains to be seen. It is also important to note that the broader IDB-9 theme of environmental sustainability appears largely overshadowed by the focus on climate change.

IDB resources and capabilities

The Bank's internal staff capacity has grown in the areas of climate change, particularly over the past three years. The formal establishment of a Climate Change and Sustainability Division, replacing the SECCI Unit, not only signals a more permanent Bank institutional commitment in and to this area, but also reportedly gives the unit greater autonomy and flexibility in terms of the operations it leads or co-leads with other divisions, including the division responsible for private sector operations. This organizational change, while perhaps a logical consequence of the Bank's expanding activity in this area, was not specifically foreseen in the CCS itself, although the CCS did stress the need for the Bank to strengthen both its own and its borrowers' capacity in these areas as well as to mainstream climate change (and environmental sustainability) considerations into its pipeline of new lending operations. It can be questioned, however, if creating a new parallel sector division is the most appropriate and effective way of mainstreaming climate change considerations in the operations of other sectors, and some cross-divisional tensions have apparently already arisen as a result. To date, the CCS Division's collaborative activity with other Bank divisions, especially those for energy, transport, and agriculture, has mainly involved the preparation of technical cooperation operations.

Interviews suggest that, while IDB managers are clearly aware of IDB-9 lending targets, most operational staff—even in the most relevant and affected sectors—are not familiar with the details of the Strategy and Action Plan.

In sum, although the IDB has taken positive steps to increase its focus on climate change and environmental sustainability, most of them appear to have reflected ongoing actions, including SECCI and the strengthening of its own internal capacity, than the new CCS itself. In fact, this particular strategy should best be viewed as part of an ongoing process, which started before the IDB-9 commitments were made (i.e., with the launching and subsequent operation of SECCI), rather than as a trigger of new or even significantly stepped-up initiatives on the Bank's part. In this sense, the CSS is more of an institutional confirmation of an evolving new area of priority intervention and Bank interaction with its country clients. This also means that it is very difficult to assess—and attribute—the impact of the Strategy *per se*, as distinct from the process ongoing since 2007 of which it is a part.

Suggestions going forward

The following steps by Bank Management would help to ensure that the CCS is fully and effectively implemented:

- Expand dissemination efforts to ensure that relevant country and sector managers and staff, both at headquarters and in the field offices, are fully aware of the content of the Strategy and the Action Plan, especially those actions and activities that the Bank has committed to undertake and support.
- Revise the Action Plan to cover all actions and commitments identified in the CCS and to define specific means and timetables to achieve them, including specific institutional responsibilities and likely resource needs and sources.
- Establish more specific information and goals on sustainable and renewable energy and climate change mitigation and adaptation at the country level. Specific country-level diagnostic studies can help in this regard and can be highly useful to individual borrowers. This might also help to illuminate the best uses for IDB instruments.
- Follow up on and monitor Bank commitments in the CCS: to “mainstream” climate change and sustainable energy considerations in its new Country Strategies and ongoing policy and lending program dialogues with its borrowing country members; to strengthen its own internal capacity in these areas, including additional training of its operational staff in the pertinent sectors; and to carefully monitor and systematically report on the greenhouse gas emissions and emissions reductions associated with all new investment projects that it finances.

Moving beyond the CCS itself, OVE suggests that Management revisit the criteria to classify IDB operations in the climate change, renewable energy, and sustainable environment portfolio to ensure accurate measurement and reporting on the contribution of IDB operations.

I. INTRODUCTION

A. Background and context

- 1.1 In 2007, the Inter-American Development Bank (IDB or Bank) approved its Sustainable Energy and Climate Change Initiative (SECCI) to complement its existing efforts in the energy sector. SECCI focused on renewable energy, energy efficiency, and climate change mitigation and adaptation (including water, natural resources and disaster risk management),¹ aiming to achieve the following results: (i) increased investment in renewable energy, energy efficiency, and biofuels in the Latin America and Caribbean (LAC) Region; (ii) increased LAC access to the international carbon market; (iii) increased market share for the IDB in renewable energy, energy efficiency, and carbon finance deals, and an expanded sustainable energy portfolio; (iv) increased attention to climate change mitigation and adaptation, and climate-proofed IDB portfolios; and (v) development of a critical mass of Bank resources, donor support, and partnerships.
- 1.2 The IDB formally recognized the need to address climate change as a priority in its Ninth General Capital Increase (IDB-9) in 2010. The IDB-9 established that the Bank would promote sustainable growth in LAC, which includes pursuing global environmental sustainability and dealing with climate change while ensuring that the energy requirements for development are met. It identified protection of the environment, responding to climate change, and promotion of sustainable energy and food security as priorities for the IDB. It mandated that “the Bank improve its capacity to assist the region in its transition to a green economy, including the development of the institutional and regulatory frameworks to allow investments in areas such as sustainable transport, renewable energy and energy efficiency, as well as to help the region adapt to climate change impacts, particularly in sectors such as water supply, agriculture and energy.” IDB-9 included a specific annual lending target of 25% for climate change, renewable energy, and environmental sustainability, to be met at the end of 2015, up from a 5% baseline for 2006-09.² IDB-9 also set expected results associated with this priority area and its contributions to regional goals. However,

¹ The initiative was also the IDB’s contribution to the new international clean energy investment framework being developed by the international financial institutions at the request of the international community following the G8 Summit in 2005.

² Subsequent attempts by OVE to replicate the 5% “baseline” figure based on the criteria contained in the pertinent guidelines were unsuccessful, and the baseline share of relevant commitments during 2006-09 appears to have been substantially higher.

it did not call for new Bank strategies for environmental protection or food security; thus, these areas are not included in this evaluation.³

- 1.3 To achieve this IDB-9 commitment, in 2011 the IDB approved an Integrated Strategy for Climate Change Adaptation and Mitigation and for Sustainable and Renewable Energy (CCS). The objective of the CCS is “to contribute to low carbon development and address key vulnerabilities to the consequences of climate change in LAC. It is, therefore, expected to serve as a guiding instrument to scale-up the IDB’s support for actions to mitigate and adapt to climate change and sustainable and renewable energy in the region.” With the aim of leveraging the IDB’s institutional strengths and its competitive advantages, the CCS promotes the development and use of a range of public and private sector financial and nonfinancial instruments for strengthening LAC countries’ institutional, technical, and financial capacity to address climate change. It seeks to provide guidance for the Bank’s dialogue with governments, civil society, and the private sector concerning regional and national climate policy agendas. It also seeks to integrate public and private financing and capacity building into a single framework for climate action, and to orient the Bank’s efforts to strengthen and consolidate its own capacities, readiness, and comparative advantages.

B. Methodology

- 1.4 This report assesses to what extent the CCS is a managerial instrument that contains an adequate response to the IDB-9 mandate on climate change and sustainable initiatives. It also reports on progress toward full and effective implementation of the Strategy and its Action Plan. The paper addresses two questions drawn from a Sector Strategy Tool developed by the Office of Evaluation and Oversight (OVE) (see Figure 1; details are in Annex A).

³ According to a recent Bank document presented to the Board—*Strategies, Policies, Sector Frameworks and Guidelines* (GN-2670-1), September 12, 2012—the Bank’s current environment strategy (OP-1007) is being eliminated and its normative content subordinated to the Climate Change Strategy. The strategy is to be complemented by new Sector Framework Documents for agriculture and natural resource management, food security, climate change, and environment and biodiversity, which are to be presented to the Board’s Policy and Evaluation Committee by the first quarter of 2013, the first quarter of 2015, the second quarter of 2015, and the fourth quarter of 2015, respectively.

Figure 1. Sector Strategy Tool



Source: OVE, 2012.

- 1.5 The team reviewed all relevant IDB policy documents: the March 2007 document that formally established the SECCI, and the CCS itself. The team also interviewed relevant IDB managers and staff, and it conducted a staff survey (the results are summarized in section II B).

II. FINDINGS

A. Does the Climate Change Strategy make sense?

- 2.1 This section examines the internal logic and consistency of the CCS, approved in March 2011,⁴ and of the associated Action Plan, submitted to the Board in February 2012. Specifically, it assesses the quality and coverage of the following topics: (i) diagnosis of the development challenge the Bank seeks to address and analysis of previous Bank experience and comparative advantages in this area; (ii) the appropriateness of the Strategy’s objectives and its internal logical consistency; (iii) the implementation measures contained in the Strategy and the Action Plan; (iv) the Strategy’s analysis of risks and description of associated mitigation measures; (v) its key outcome and other performance indicators; and (vi) its provisions for monitoring and evaluation.

⁴ *IDB Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy*, Vice-Presidency for Sectors and Knowledge, Infrastructure and Environment Sector, March 2011.

1. Diagnosis and analysis

a) Priorities, needs, and specific agendas

2.2 A strong point of the Strategy and of some of its background documents is a diagnostic that identifies the Region's priorities and needs and discusses the importance of specific agendas.

- In the CCS document itself, this diagnosis covers (i) impacts of climate change, climate vulnerability, and adaptation needs; (ii) climate change mitigation priorities; and (iii) cross-cutting dimensions and institutional challenges. The CCS uses separate annexes to provide greater detail on both climate change vulnerability and adaptation priorities and climate change impacts and mitigation priorities.
- The analysis on which the Strategy is based is presented more fully in a background document (Analytic Framework),⁵ which has three sections. The first assesses vulnerability to climate change and adaptation challenges in LAC, focusing specifically on the following sectors and issues: (i) agriculture and forest resources; (ii) water resources; (iii) energy infrastructure; (iv) transport infrastructure; (v) tourism; (vi) health; (vii) urban development and housing; and (viii) disaster risk management. It also examines greenhouse gas (GHG) emissions, the relative contributions of different sectors, and mitigation potential, specifically: (i) land use change and deforestation; (ii) agriculture and livestock; (iii) energy generation and consumption; (iv) mitigation opportunities through energy efficiency programs; and (v) renewable energy potentials. The second section discusses financial mechanisms and resources for addressing financial gaps and scaling up investments; and the third covers the IDB's key areas of action for addressing climate change, which also correspond to the five "strategic action lines" contained in the CCS itself.⁶
- The CCS "Profile," presented to the Board of Executive Directors in March 2010, also contained an abbreviated version of this diagnosis.⁷

⁵ IDB, *Analytical Framework for Climate Change Action*, Washington, DC, March 2010. The Analytic Framework was also presented in a longer unpublished document: *Toward a Strategic Framework for Supporting Climate Change Action in LAC*, an internal discussion document not for distribution or citation, September 23, 2010.

⁶ Specifically, although the wording was slightly different between the two documents: (i) strengthen the knowledge base; (ii) strengthen institutions and public and private sector capacity; (iii) develop instruments to mainstream climate change in Bank-funded operations; (iv) expand lending and technical assistance in key sectors; and (v) scale up investments, address financial gaps, and leverage private sector investments.

⁷ IDB, *Profile. Strategic Framework for Supporting Climate Change Action in Latin America and the Caribbean* (Climate Change Strategy Profile), GN-2561-1 (revised version), March 5, 2010.

- 2.3 Both the CCS and the Analytic Framework built directly on the Bank's experience in the areas of sustainable energy and climate change, manifested by the SECCI, which the Board of Directors approved in March 2007.⁸ SECCI was initially composed of four pillars—(i) Renewable Energy/Energy Efficiency, (ii) Biofuels, (iii) Carbon Finance, and (iv) Climate Change Adaptation—each with numerous strategic lines of action, most of which continue to have a central place in the 2011 CCS. Only the promotion of biofuels appears to have diminished somewhat in importance in the CCS. The CCS also considerably expands the scope of the Bank's proposed climate-related interventions beyond the initial SECCI pillars to the transport, agriculture, water, urban, and other sectors.
- 2.4 In addition to the documents cited above, the Bank, jointly with the UN's Economic Commission for Latin America (ECLAC) and the World Wildlife Fund (WWF), has more recently prepared another relevant analytic document, *The Climate and Development Challenge for Latin America and the Caribbean: Options for Climate-resilient, Low-carbon Development*. This technical report focuses on regional climate impacts and adaptation responses, LAC's carbon footprint, and development co-benefits from adaptation and mitigation.⁹ It updates, expands upon, and complements the earlier diagnostic studies undertaken by the IDB and other regional and multilateral development agencies.
- 2.5 In principle, the title of the Strategy itself suggests that the “specific agendas” that under it would be (i) climate change adaptation, (ii) climate change mitigation, and (iii) sustainable and renewable energy. The Bank's diagnostic and strategy documents clearly set out the importance of these areas to and in the LAC Region, recognizing their interlinkages by addressing all three in a single “integrated” strategy. However, the Results Framework for the IDB-9 indicates that the three main areas to be covered by the Strategy are climate change mitigation, climate change adaptation, and “sustainable practices.”
- *Mitigation* includes low-carbon transport; renewable energy, including bioenergy; energy efficiency (industrial, public buildings, residential, and commercial); reforestation; forest preservation; and management of solid waste and wastewater treatment that increases methane capture or converts waste to energy.
 - *Adaptation* includes technological development for resilient agricultural production, integrated water resources management, prevention of natural disasters, attention to ex-post health-related issues (particularly for malaria,

⁸ IDB, *Sustainable Energy and Climate Change Initiative*, Report AB-2515, March 9, 2007. In 2008 two parallel trust funds were established to support the SECCI.

⁹ Vergara, W., et al., *The Climate and Development Challenge for Latin America and the Caribbean: Options for Climate-Resilient, Low-Carbon Development*, Inter-American Development Bank, Washington DC, June 2012.¹⁰ IDB, *Report on the Ninth General Increase in the Resources of the IDB*, op. cit., Annex 1, pp. 9-10.

dengue, and other vector diseases increased by climate change), and sustainable management (conservation and protection) of coastal zones.

- *Sustainable practices* include activities in conservation and sustainable use of biodiversity; reduction of industrial contamination, including management of persistent organic contaminants; and institutional strengthening for environmental sustainability and climate change adaptation or mitigation activities.¹⁰

2.6 Thus, even though the title of the Strategy refers specifically to “Sustainable and Renewable Energy,” this area is not identified as a specific agenda *per se*. In fact, it is subordinated to climate change mitigation and contains renewable energy, including bioenergy, and energy efficiency. “Sustainable practices,” on the other hand (which, in addition to the topics covered under the headings of climate change mitigation and adaptation, presumably is what is meant by “environmental sustainability” in the associated lending target; see the section on Indicators below), includes a number of other aspects of environmental management: biodiversity conservation and sustainable use, industrial pollution reduction,¹¹ and capacity building. Finally, although the IDB-9 mentions “food security,” this topic is not included in the CCS.

2.7 The CCS identifies priorities within each of the relevant agendas—for example, with respect to climate change vulnerability and adaptation and climate change impacts and mitigation—by dedicating annexes to each of these topics. It observes, for example, that the largest impacts of climate change and, thus, the sectors or areas most in need of adaptation, are projected to be agriculture (with implications for food security) and water resources, although urban centers and populations will also be affected, particularly those located in coastal areas. For mitigation, the Strategy identifies and appropriately targets the three sources that are responsible for an estimated 95% of total GHG emissions in LAC: (i) land use change and associated deforestation (estimated to be responsible for roughly 47% of regional GHG emissions, as compared with just 19% worldwide); (ii) energy-related emissions from electricity and heat generation, manufacturing, transportation, and other sources (estimated to account for 28% of LAC’s total, compared with 61% globally); and (iii) agriculture and livestock (20%). On this basis, the Strategy identifies the following sectors or activities for priority support: (i) land use, land use change, and forestry; (ii) agriculture and livestock; (iii) water resource management and sanitation; (iv) sustainable energy; (v) sustainable urban transport; (vi) ecosystems management and biodiversity; (vii) integrated urban development and climate-resilient cities; and (viii) disaster risk management and climate change. In each of these areas, the Strategy identifies more specific areas that would be supported.¹²

¹⁰ IDB, *Report on the Ninth General Increase in the Resources of the IDB*, op. cit., Annex 1, pp. 9-10.

¹¹ Other sources of air and water pollution are not specifically mentioned in this context, nor is indoor air pollution.

¹² *Ibid.*, para. 4.10.

- 2.8 Nonetheless, the CCS does not clearly prioritize among the different agendas, or among these cross-cutting areas, or among the specific actions identified for Bank support within each one. Nor does it recognize the differing effects of climate change by prioritizing among countries in the Region or within individual countries.¹³ While the general focus on climate change adaptation and mitigation, including the role of sustainable and renewable energy, is appropriate, the Strategy does not specifically discuss these priorities in light of the Bank's declared comparative advantages.
- 2.9 This notwithstanding, the Strategy and the analytic documents on which it is based do point out that LAC accounts for a comparatively small percentage (12%) of global GHG emissions; but because it is likely to be significantly affected by climate change, both countries and the development agencies that seek to assist them will need to give much greater attention to adaptation than they have in the past. It also points to the trade-off between climate change mitigation and adaptation, in that a greater reduction over the short and medium term in CO₂ and other GHG emissions associated with global climate change is likely to result in lower adaptation needs over the medium and long term and, therefore, both lower economic, social, and environmental impacts and associated human and financial costs.

b) Effectiveness of IDB experience

- 2.10 The CCS briefly describes, but does not systematically evaluate, the effectiveness of the Bank's relevant experience. It points to the Bank's decades-long experience providing financial support in the energy, transport, water and sanitation, environment, forestry, disaster management, rural development, and urban development "sectors," observing further that the IDB had been "incorporating the climate change mitigation and adaptation dimension in its programs and mobilized Bank resources and multi-donor funding for technical assistance" since 2003. This initial activity was expanded with the 2007 establishment of SECCI, whose "main objective was to mainstream climate change actions within IDB operational divisions and build climate resilience in highly vulnerable sectors."¹⁴
- 2.11 Moreover, SECCI had been preceded by other Bank activities that are summarized in the March 2007 Board document that described this initiative.

In 2001, the IDB began addressing the climate change needs of its member countries. In *Responding to Climate Change in Latin America and the Caribbean: The Role of the Inter-American Development Bank*, the Bank made several proposals, including the development of Global Environment Facility projects and mainstreaming climate change into Bank activities. In October 2005, the IDB followed up with a more comprehensive plan for its role in addressing climate change. Entitled *Action Plan for Renewable Energy*, Energy

¹³ In the case of Brazil, for example, climate change mitigation and adaptation needs are very different in the Amazon Basin, the semiarid Northeast, and coastal areas and cities throughout the country.

¹⁴ IDB, Report AB-2515, op. cit., §3.2.

Efficiency, Greenhouse Gas Mitigation and Carbon Finance 2006-2010, the plan identified near term actions and longer actions to increase investment in RE and EE and increase carbon finance within Bank projects. This plan was complemented by a new Environment Policy, adopted in January 2006, which explicitly states that promotion of RE, the efficient and clean use of energy resources, and the reduction and control of greenhouse gas emissions are environmental priorities, and that the Bank will report on the GHG emissions of its activities and lending.¹⁵

- 2.12 In addition, while the CCS itself does not provide details about the effectiveness of the Bank's experience with respect to climate change adaptation and mitigation and sustainable and renewable energy, this subject is discussed extensively in the annual progress reports for SECCI, of which there have been four since March 2008.¹⁶ The most recent of these reports, for 2011, even contains a section on SECCI funds in the context of the CCS Action Plan for 2012-2015, which describes the relevant SECCI pipeline for 2012 and the funding outlook.

c) Bank capabilities

- 2.13 A weak point of the Strategy is that, except for a couple of general statements describing the Bank's prior experience, the CCS does not assess in any detail the Bank's capabilities to respond to the climate change adaptation and mitigation and sustainable and renewable energy agendas, either individually or collectively. It identifies in a very general way the IDB's "key comparative advantages for bringing necessary changes and progress in LAC's climate change and sustainable energy agenda" and its past involvement in relation to the key agendas mentioned above. In addition, it notes that through SECCI the Bank demonstrated its capacity to facilitate access to international sources of climate finance, supported public and private clients' access to carbon finance, and successfully coordinated with other multilateral financial agencies in this regard.
- 2.14 The CCS does, however, refer generically to the needs to "strengthen and consolidate Bank capacity, readiness, and comparative advantages" and to "equip the Bank to become a catalyst for clean development in the region, responding effectively to the growing demand for climate change mitigation action and climate resilience."¹⁷ It also notes that, following the approval of the Strategy by the Board of Executive Directors, Bank Management would develop a CCS

¹⁵ IDB, *Sustainable Energy and Climate Change Initiative*, op. cit., p. 10.

¹⁶ See IDB, *The Sustainable Energy and Climate Change Initiative (SECCI)*, Report AB-2515-1, March 24, 2008; IDB, *Sustainable Energy and Climate Change IDB Special Program (SECCI-IDB Fund)*, *Progress report 2007-June 30, 2009 and Perspectives 2009-2012*, Report GN-2435-9, September 2, 2009; IDB, *Sustainable Energy and Climate Change Funds Multi-Donor Fund and Ordinary Capital Special Program Annual Report 2010*, no date; and IDB, *Sustainable Energy and Climate Change Funds: Multi-Donor SECCI Fund and IDB SECCI Fund – Annual Report 2011*, no date. The first of these reports was to the Bank's Board of Governors, the second to its Board of Executive Directors, and the two most recent ones to the partners of the Multi-Donor Fund and the Bank's Board of Directors.

¹⁷ IDB, CCS, op. cit., §4.1.

Action Plan that would “detail the activities to support the Strategy’s five strategic lines of action, as well as the timeframe and resources required to address specific internal and external needs.” The Action Plan was, indeed, submitted to the Board in February 2012,¹⁸ but it does not really provide details on how the Bank intends to address the implementation challenges mentioned in the CCS.

2.15 In contrast, the 2007 report that described what would become the SECCI explicitly identified a more extensive list of implementation challenges associated with the new initiative. They are worth restating, both because of their continuing relevance to the CCS and in order to better gauge how much progress the Bank has made over the past five years in this area.

- More proactive use of existing Bank instruments, applying them to the strategic lines of action; and in particular a more proactive assessment of the needs of the individual countries and mainstreaming those lines of action in country programming.
- Establish technical experts to (i) assist operational staff in identifying and developing renewable energy and energy efficiency programs and projects, including a systematic screening of projects for renewable energy and energy efficiency, the provision of energy efficiency audits, and mapping of renewable energy capacity of countries; (ii) provide technical support to operational staff and LAC member countries, with a special emphasis on developing programmatic and sectoral clean development mechanism (CDM) projects; and (iii) assist in assessing and responding to vulnerability to the impacts of climate change at the country level.
- Use of existing funds such as the INFRAFUND to develop feasibility studies, the Disaster Prevention Fund to finance relevant climate change adaptation activities, and the Global Environment Facility.
- Establishment of a new dedicated financing facility with two programs—Sustainable Energy Development Program and Carbon Market Access and Adaptation Program—to finance the development and implementation of country-level assessments, policy framework analysis and assistance for policy reforms, energy efficiency audits, technical assistance, development of

¹⁸ IDB, *Integrated Strategy for Climate Change Adaptation and Mitigation and for Sustainable and Renewable Energy – Action Plan (2012-2015)*, Report GN-2609-3, February 16, 2012 (Action Plan). A longer preliminary version of this report, dated August 2010, also exists but was not distributed. This longer version contains a more detailed background section and five annexes, including one on the current status of IDB work on climate change, one on multilateral development bank instruments as tools for addressing climate change issues, and one on dedicated international climate funds—among them the Green Climate Fund, the Global Environment Facility (GEF) (climate window), the Adaptation Fund of the Kyoto Protocol, Climate Investment Funds, and the Carbon Forest Partnership Facility. In addition, a more summarized version of the Action Plan, with specific sections on the Plan’s objective, priority areas of intervention, strategic lines of action supported under the Plan, and institutional support, coordination, and implementation phases, was made available for public dissemination, including at the IDB’s side event at the United Nations Conference on Sustainable Development (Rio+20) in Rio de Janeiro in June 2012.

new methodologies, training, dissemination, and national programs and project development funds.¹⁹

- Measuring and reporting on progress, including establishing targets for energy efficiency and renewable energy, and reporting on GHG emissions of IDB lending.
- Regional policy dialogues involving decision-makers in government, business, and the scientific and academic community to exchange information on innovations, good practices, and concrete experiences and facilitate “south-south” learning.²⁰

2.16 The Analytic Framework for the CCS provides some additional information about the mechanisms that the Bank had developed “for addressing financial gaps in key sectors and for scaling up climate change related investments,” reiterating that “to respond better to climate challenges in the region, the IDB will need to mainstream climate change across the Bank’s operations using existing and new instruments.” It goes on to affirm that “available IDB instruments that catalyze and attract innovative financing to climate-related projects include technical cooperation, investment grants, knowledge- and capacity-building products, climate change policy based loans, and conditional credit lines for investment projects.” And it also states that “the Bank must implement these products primarily by drawing on Bank financial resources such as SECCI funds, participating in the Climate Investment Funds, and leveraging complementary private sector instruments, such as loans, guarantees, and other risk-sharing mechanisms [as well as] mobiliz[ing] other resources, such as the [Global Environment Facility] and those under the Kyoto Protocol mechanisms, in order to help countries meet the vast levels of investment required.”²¹ However, the Strategy does not prioritize any particular type of Bank instrument in this regard.

2.17 As concerns the IDB’s “comparative advantages” (in relation to other international development assistance agencies), the CCS explicitly stresses the following factors: (i) the commitment of the Board of Executive Directors, with regional borrowing members and extra-regional lending members that are fully committed to increasing support to sustainable energy and climate change activities in the Region; (ii) the Bank’s strong capacity to generate knowledge and technical skills across such sectors as infrastructure, environment, economy, social development, governance, and trade and competitiveness, and its significant expertise in the area of climate change mitigation and adaptation; (iii) the Bank’s strong presence in the Region, with Management and technical staff working in country offices and strongly engaged with public and private sector clients from early programming to project execution; and (iv) the Bank’s public

¹⁹ It is not clear whether these two specific programs were established as such. However, two parallel trust funds were later created to finance SECCI activities both internally and in client countries.

²⁰ IDB, Report AB-2515, op. cit., Executive Summary, §1.7.

²¹ IDB, *Analytic Framework*, op. cit., p. 21.

and private sector windows working under the same roof and in a coordinated fashion toward increasing technical and financial support to the Region.²²

- 2.18 It is not clear, however, to what extent some of these factors constitute true comparative advantages of the IDB over other multilateral development assistance agencies, such as the World Bank and the Andean Development Corporation, which also work in the Region—and have a strong physical presence and capable management and technical staff who have climate-change-related experience in multiple sectors and in private sector operations. At the same time, the CCS does not mention one true area of comparative advantage: the IDB’s unique ability to better integrate large-scale investment and policy-based lending with nonreimbursable technical cooperation support to its borrowing member countries in the Region.

2. Objectives and logical consistency

a) Objectives and goals

- 2.19 The CCS and its Action Plan represent the Bank’s statement of its overall objectives with respect to climate change adaptation and mitigation and sustainable and renewable energy. The CCS identifies a general goal—to “contribute to low carbon development and address key vulnerabilities to consequences of climate change in Latin America and the Caribbean”—and several instrumental objectives: (i) to serve as a guiding instrument to scale up IDB support for actions to mitigate and adapt to climate change and sustainable and renewable energy in the Region; (ii) to provide guidance for Bank dialogue with governments, civil society, and the private sector concerning regional and national climate change agendas; (iii) to promote the development and use of a range of public and private sector financial and nonfinancial instruments for strengthening LAC countries’ institutional, technical, and financial capacity to address climate change; and (iv) to integrate public and private financing and capacity building into a single framework for climate action and orient the Bank’s efforts to strengthen its own capacities, readiness, and comparative advantages.²³ In addition, the Strategy is intended to guide Bank efforts to achieve the specific lending commitment target for climate change initiatives, renewable energy, and environmental sustainability of 25% by the end of 2015, which was set as part of the Results Framework for IDB-9.²⁴
- 2.20 Neither the CCS nor its Action Plan clearly establishes specific goals or targets for the three agendas, although these two documents (particularly the Action Plan)

²² IDB, CCS, op. cit. §3.1.

²³ IDB, CCS, op. cit., §1.3. It is interesting to note that what are characterized above as the *substantive* objectives of the Strategy were not included in the “Profile” of the CCS presented in March 2010, although the four *instrumental* objectives (in slightly different language) were (see IDB, *Profile*, op. cit., §11).

²⁴ See IDB, *Report on the Ninth General Increase in the Resources of the IDB*, AB-2764, May 21, 2010, op. cit.

are clearer in this regard with respect to climate change adaptation and mitigation than with respect to sustainable and renewable energy, for which more specific objectives are not established. However, if the earlier SECCI documents are included, Bank objectives with respect to energy efficiency and renewable energy are also “on the books,” even if no specific lending targets were set and the objective of increased investment in these areas was not specifically reaffirmed or reiterated (except perhaps implicitly) in the CCS. The Strategy also does not indicate what shares of the committed increment in the 25% share of Bank lending by the end of 2015 would be specifically for investments related to climate change, renewable energy, or (other) environmental sustainability areas, or what types of investment would fall into each of these categories.²⁵ Conversations with Bank technical staff suggest that these percentages and definitions are still being determined.

b) Link between objectives and activities

- 2.21 The logical relationship between the Bank’s objectives and the proposed activities is implicit rather than explicit. The Strategy does not present a logical or results framework, and it does not set out in any straightforward or rigorous fashion how the overall and instrumental objectives are to be achieved. This notwithstanding, the multiple activities proposed in the Strategy are clearly relevant (in differing degrees) for achieving its stated objectives and those contained in the Action Plan. However, the Strategy would have benefitted from a detailed results framework, linking its proposed actions to its objectives. It is noteworthy that the most recent progress report for the SECCI Multi-Donor and Bank Ordinary Capital Funds does (for the first time) present a results framework,²⁶ and a similar exercise should be undertaken for the CCS as a whole.

c) Choice of Bank instruments

- 2.22 The Strategy partially justifies the choice of Bank instruments. It refers to the use of a broad range of existing and “innovative” instruments, but the justification is expressed primarily in terms of making use of all the Bank and non-Bank tools potentially available in pursuit of the objectives of the Strategy. This “shotgun” approach is perhaps not inappropriate, given the scale and complexity of the challenges the CCS is attempting to help the Bank’s clients to address. However, the Strategy’s presentation in this regard is very general; greater specificity as to how each of the various instruments identified could be used would have been useful.

²⁵ The types of investment are described in a recent SPD guidance document prepared in conjunction with IDB-9: IDB, *Guidelines for Classifying Lending Program Priorities*, GN-2650, January 20, 2012, Annex B.

²⁶ IDB, *Sustainable Energy and Climate Change Funds: Multi-Donor SECCI Fund and IDB SECCI Fund – Annual Report 2011*, op. cit.

d) Conclusions

- 2.23 The contribution of the CCS to the IDB-9 institutional strategy is still limited. The January 2012 conversion and expansion of the SECCI Unit into the new Climate Change and Sustainability Division—although not specifically indicated in the Strategy itself—is important to the Bank’s broader institutional strategy in support of the implementation of the IDB-9 requirements, both by signaling (externally and internally) a more permanent organizational commitment to helping borrowing member countries address climate change and sustainable energy challenges and by reportedly also increasing the relative autonomy and flexibility of this area within the IDB. As will be further detailed in Part B below, this is also reflected in the increased specialized staffing within the Bank (and decreasing reliance on trust fund-financed consultants) over the past several years in these areas.
- 2.24 The Strategy, if well implemented, can nevertheless make a relevant contribution to improve the overall “sector” objectives (climate change adaptation and mitigation and sustainable and renewable energy). That this is possible is suggested by the significant progress achieved by SECCI to date. However, successful implementation of the Strategy over the 2012-2015 period might face two major challenges, given its ambitious multisectoral nature and the fact that the Bank is a client demand-driven institution: (i) achieving the internal coordination across the various sector units that will be required to design and implement climate and sustainable energy-friendly actions in each one; and (ii) convincing country clients of the importance of requesting climate and sustainable energy-friendly support from the Bank in terms of lending (including investment lending) as well as nonreimbursable technical cooperation operations. The former will require strong messages from both the Board of Executive Directors and senior Bank Management as to the importance of these specific agendas, while the latter will require Country Strategies and operational programming, together with country policy dialogue, to focus increasingly and explicitly on the area. Thus, the field offices, as well as technical and other operational staff at headquarters, must fully “buy into” the Strategy and its action lines and other associated interventions.

3. Implementation arrangements

- 2.25 Because the CCS was approved only about 18 months ago, and the Action Plan has been in existence only since February 2012, it is too early to assess implementation of the Strategy. Therefore, this section looks at the quality of the arrangements for CCS implementation.
- 2.26 The CCS includes a partial, but not adequate, plan for implementation that contains (a) resources required and (b) implementation models to be followed. It discusses implementation arrangements only briefly and generally by stating that the Action Plan to be prepared would:

- Detail the activities to support the Strategy’s five strategic lines of action, as well as the timeframe and resources required to address specific internal and external needs;
- Monitor the Bank’s output contributions in line with the IDB-9 Results Framework;
- Include a system for tracking and monitoring improvements in climate change mitigation and adaptation within IDB operations, including financial indicators and GHG accounting and reporting; and
- Promote other activities to “strengthen the technical and operational basis for the implementation” of the Action Plan:²⁷ (i) mainstreaming sustainable energy and climate change mitigation and adaptation objectives in country programming and Country Strategy development; (ii) climate change research support in relevant (but not further defined) policy areas; and (iii) climate change knowledge management and dissemination.

2.27 However, the actual Action Plan falls short of these important commitments in a number of ways. Indeed, it does not appear to be a true action plan in the sense of indicating how the large number of specific commitments made in the CCS under each of its strategic action lines would be implemented, by what Bank units, in what specific timeline, with what specific resources, and where these resources would come from. It addresses three “priority areas and cross-cutting issues”: (i) climate adaptation, in which the CCS seeks to strengthen the Bank’s involvement, “including increasing financial resources to address some of the most significant consequences of climate change, focusing on impacts on water supply and water quality, coastal and marine ecosystems, forests, and other fragile terrestrial biomes, and agriculture;” (ii) climate mitigation, for which the objective is to “support activities with the largest potential for GHG emission reductions, namely, reductions in GHG from land use change and deforestation, low carbon transport systems, and low GHG footprint of power generation and use;” and (iii) cross-cutting issues to “promote smart infrastructure, inclusion of social dimensions and mainstreaming climate change in social programs, expansion of access to international climate finance, and expanding private sector investments.”²⁸

2.28 Unlike the CCS itself, the Action Plan appears to set goals for two of the key “agendas” of the Strategy, climate adaptation and climate mitigation. It does not do the same, however, with respect to sustainable and renewable energy or “sustainable practices” more generally, and instead it adds the category of “cross-cutting issues,” some of which had not been specifically raised in the CCS itself (e.g., the concept of “smart” infrastructure, which is not clearly defined in the Action Plan, and the inclusion of social dimensions and the mainstreaming of climate change in social programs). In addition, with one notable partial exception

²⁷ IDB, *CCS*, op. cit. §51-5.2.

²⁸ IDB, *Action Plan*, Executive Summary, §1.2.

(expanding private sector investments), the Action Plan does not mention the four “cross-cutting dimensions and institutional challenges” that are explicitly identified in the CCS: (i) the role that urban centers have in mitigating their GHG emissions and reducing their vulnerability to extreme weather conditions; (ii) the “important synergies between adaptation and mitigation which need to be considered when designing and planning climate actions and evaluating their results”; (iii) the capacity of national and subnational governments and civil society to adopt adequate institutional and regulatory arrangements, as well as the engagement of public and private sector investments; and (iv) how the global pursuit of a response to climate change will affect the trading interests of LAC as producers will feel the effects of climate change mitigation measures taken elsewhere, if there is absence of actions by LAC governments through regional integration and cooperation.²⁹

- 2.29 The Action Plan also states the CCS’s objectives in a somewhat different way than the Strategy document itself, in the process mixing the instrumental and substantive aspects of these objectives, by affirming that it is “designed to serve as the Bank’s strategic instrument for scaling up support for climate mitigation and adaptation activities, contributing to low carbon development, climate vulnerability reduction and environmental sustainability in the region” through implementation of its five strategic action lines, which are the same as those in the CCS, although expressed slightly different terms: (i) strengthen the Bank’s knowledge base; (ii) strengthen institutions and private and public sector capacity; (iii) develop instruments to mainstream climate change mitigation and increase resilience of Bank-funded activities; (iv) identify and develop lending and technical assistance for climate action in key sectors; and (v) scale up investments, address financial gaps, and leverage private sector investments. This statement is, in fact, somewhat clearer than that in the Strategy document itself.
- 2.30 The Action Plan also states that its objective is “to lay out priority areas of work, actions, instruments, resources and a time frame needed to implement the Strategy along its five strategic lines of action over the next four years (2012-2015).”³⁰ It does not fully achieve this objective, however. It is notable that, even though the objectives of each strategic action line as stated in the CCS and the Action Plan are essentially the same,³¹ the Action Plan describes the key “tasks” under each

²⁹ IDB, CCS, op. cit., §2.11-2.14.

³⁰ *Ibid.*, §3.2.

³¹ For example, the CCS identifies the purpose of the first action line in the following terms: “Focus on building technical capacity and knowledge regarding climate change adaptation and mitigation and sustainable energy by providing and facilitating guidance, support and knowledge to its clients as well as to its staff.” The Action Plan describes the Bank’s intervention as a “bridging role in facilitating the generation and flow of knowledge on climate issues from the Bank and centers of excellence to decision makers, including development practitioners” and further characterizes it as intended to “enable conditions for the generation, application and dissemination of knowledge to strengthen the capacity of its clients” as well as to “provide guidance to the Bank’s dialogue with governments, civil society and indigenous peoples, academic/scientific community and the private sector in relation to the achievement of regional, sub-regional and national objectives on climate policy.” *Ibid.*, §4.4-4.5.

one in a way that is not consistent with the way these actions are described in the CCS itself, without explaining the reasons for these differences. (Annex B shows the two different versions of these sets of actions.) The combined set of “tasks” under each action line then become the “areas of action” for which the Action Plan identifies both “Lead” and “Support” units and proposes timeframes (by semester). However, these “actions” are very general, and there is no indication of the specific responsibilities of either the “Lead” or “Support” Units or of the resources required to implement each of these “areas of action.”

- 2.31 Each one of these “action areas” could, in fact, be seen as a specific objective of the CSS, for which specific performance targets and results indicators should be developed for each of the years of CSS implementation. This would facilitate the monitoring of implementation and evaluation of outcomes. However, they are not explicitly presented as such, and such indicators have not been formulated. From the standpoint of any future evaluation of the Strategy’s effectiveness, moreover, the differences between the CCS and the Action Plan raise serious questions.
- 2.32 The Action Plan thus appears to be more of a recasting of the original CCS within each of its five strategic action lines, less than one year after the Strategy itself was approved by the Board, rather than constituting a true action or business plan. Indeed, the Action Plan document recognizes this, affirming that it “sets a framework for defining specific results, managing risks, and monitoring” and that “Bank management will track two levels of progress towards the IDB-9: (i) lending program indicators; and (ii) regional development goals related to protecting the environment, responding to climate change and promoting renewable energy.”³² In this sense, the Action Plan is an incomplete, insufficiently detailed and specific, and thus inadequate, tool both for guiding and for monitoring implementation of the Strategy approved by the Board in March 2011. What is needed is not a “framework for defining specific results, managing risks, and monitoring,” but a detailed Action Plan that actually does this.
- 2.33 Finally, in describing the “implementation timeline” for the Strategy between 2012 and 2015, the Action Plan identifies three overlapping phases: (i) 2012-13: consolidation of the knowledge, capacities, and mainstreaming process, “building on the gains already achieved and ensuring that climate issues become a routine concern in all aspects of the Bank’s portfolio”; (ii) 2012-2014: scale-up of climate investments, placing “emphasis on a substantial expansion of the public and private lending for climate in key sectors, and on scaling-up private investments” and including “a major effort...to optimize the use of existing international financial resources for climate and to attract substantial financial resources to address climate issues in the region,” with “measurable results” expected for 2014; and (iii) 2012-2015: continued greening of the Bank’s portfolio in pursuit of “longer-term sustainability and green economy objectives in the region by 2015 and beyond,” although the specifics of this phase have yet to be defined in

³²

IDB, *Action Plan*, §1.8.

detail.³³ Again, however, this implementation timeline is expressed in very general terms and is thus of limited usefulness for monitoring Bank interventions associated with each of the specific “action lines” identified in the Plan.

4. Risks and mitigation

- 2.34 The CCS document contains no specific statement of risks to effective strategy implementation, either for the “action lines” or for the potential impediments to achieving Bank objectives. However, it is worth noting that two such risks may be said to have been indirectly and implicitly identified in the form of the “implementation challenges” mentioned above (i.e., the needs to “strengthen and consolidate Bank capacity, readiness, and comparative advantages” and to “equip the Bank to become a catalyst for clean development in the region, responding effectively to the growing demand for climate change mitigation action and climate resilience”). However, the Action Plan does very briefly identify six risks to implementation of the activities, which also reflect the specific characteristics of international climate change negotiations, the available funding, the country priorities, and the complexity of the programs and projects involved:³⁴
- Availability of resources to implement the Action Plan: technical expertise, experience and knowledge of procedures, and funds;
 - Potential difficulties of coordination among the many actors involved;
 - Uncertainties relating to the United Nations Framework Convention on Climate Change (UNFCCC) negotiations and the overall international climate finance framework;
 - Potential changes in needs and priorities identified by countries and/or clients;
 - Unforeseen additional challenges posed by continuing climate change impacts; and
 - The timeframe to assess the effectiveness of the Action Plan may be too short.
- 2.35 Even though the last “risk” does not seem to make sense the way it is stated—perhaps something like “insufficient time for the effects of the Action Plan to be clearly manifested, even in the presence of progress” was intended—the Plan also lists a set of measures to mitigate these risks:³⁵
- Proactive sector and country programming, further strengthening of in-house technical skills, and a more efficient mix of available instruments;
 - INE/CCS will include in its annual work program the resources needed to mobilize the experience and expertise required for these activities; and

³³ *Ibid.*, §1.6 and §5.7.

³⁴ IDB, *Action Plan*, §6.2.

³⁵ *Ibid.*, §63-6.4.

- Efforts have been made to secure the participation, comments, and contributions of the departments and divisions associated with the planning and implementation of the Action Plan, and these coordination efforts will continue, building close links and networks of practitioners.
- 2.36 These mitigation measures are not very specific, however, and only address some of the risks identified in the Action Plan. The Action Plan does not mention other potential serious risks to implementation of the CCS, such as inadequate cross-sectoral “buy-in” and coordination with respect to the Strategy’s objectives and priorities, and, perhaps most importantly, insufficient political will both inside the Bank and among the Bank’s client countries, including with respect to the significant reorientation of the demand for Bank lending that would be required if it is to meet the 25% percent target for lending in this area by the end of 2015. Considering that the Bank is a highly client- (and thus demand-) driven institution, especially in terms of how its lending priorities and sectoral composition of the portfolio and pipeline are determined, this last could be a significant risk, and a specific strategy is needed to address it.

5. Indicators

- 2.37 The Strategy refers consideration of monitoring to the Action Plan, which it says “will include a system for tracking and monitoring improvements in climate change mitigation and adaptation within IDB operations, including financial indicators and GHG accounting and reporting.” It also affirms that the Action Plan “will monitor the Bank output contributions in line with the Results Framework of the General Capital Increase”³⁶—presumably referring to progress toward the IDB-9 commitment of a significant increase in the share of Bank lending commitments for climate change, environmental protection, and environmental sustainability by the end of 2015.
- 2.38 The IDB-9 Report prescribes an increase in the share of total Bank sovereign-guaranteed and non-sovereign-guaranteed lending for “climate change initiatives, sustainable (including renewable) energy and environmental sustainability” from 5% in 2006-09 to 25% at the end of 2015.³⁷ However, the Report does not define what is meant operationally by “climate change initiatives” and “environmental sustainability”—that is, what types of projects would be considered to fall into these two categories,³⁸ nor does it set specific targets for each of these three components or explain how the “baseline” percentage was determined. Elsewhere in the Report, the Bank provides some information on the substance of this

³⁶ IDB, *CCS*, op. cit., §5.1-5.2, p. 23.

³⁷ IDB, *Report on the Ninth General Increase in the Resources of the IDB*, AB-2764, May 21, 2010, op. cit., p.3.

³⁸ For one recent attempt to do this, see Nancy McCarthy, Paul Winters, Ana Maria Linares, and Timothy Essam, *Indicators to Assess the Effectiveness of Climate Change Projects*, SPD, Impact Evaluation Guidelines, Technical Notes, No. IDB-TN-398, April 2012. However, it is not clear how, and by whom, these indicators will be applied.

lending target, affirming that “addressing issues of climate change is a new area of emerging demand for the Bank,” and referring specifically to the CCS to be “presented to the Board in 2010, which will help guide how to scale up support for actions for climate change mitigation and adaptation [and] foster development and use of public and private sector financial and non-financial instruments to strengthen institutional, technical and financial capacity.”³⁹

- 2.39 The Results Framework for the IDB-9 also indicated “estimated outputs” in relation to the Bank’s Output Contribution to Regional Development Goals for 2012-2015 for “protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security” (see Table 1).

Table 1. Bank Output Contribution to Regional Development Goals 2012–2015

Bank outputs	Baseline (2005-2008)	Target (2015)	Regional development goals
Percentage of power generation capacity from low-carbon sources over total generation capacity funded by IDB	91	93	Reduce CO ₂ emissions (kilograms) per \$1 GDP (PPP) (baseline: 0.29 in 2006).
Number of people given access to improved public low-carbon transportation systems. <i>Percentage of people that are (a) indigenous; (b) Afro-descendants.</i>	n/a	8,500,000	
Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing.	n/a	10	
Number of projects with components contributing to improved management of terrestrial and marine protected areas.	15	30	Proportion of terrestrial and marine areas protected to total territorial area (baseline: 21% in 2009).
National frameworks for climate change mitigation supported.	n/a	5	Annual reported economic damages from natural disasters (baseline: \$7.7 billion in 2007). Countries with planning capacity in mitigation and adaptation of climate change (baseline: 3 in 2009).
Farmers given access to improved agricultural services and investments.	n/a	5,000,000	Annual growth rate of agricultural GDP (%) (baseline: 3.5% in 2007).

Source: AB-2764, Annex A, pages 20-17.

³⁹

IDB, *Report on the Ninth General Increase*, op. cit., p. 9.

- 2.40 The IDB-9 Results Framework did not give a specific target value for CO₂ emissions, although it did indicate a “baseline” figure of 0.29 (kilograms per \$ of GDP) in 2006, as well as a baseline of three countries with “planning capacity in mitigation and adaptation of [sic] climate change” and a proportion of 21% of terrestrial and marine areas protected to total territorial areas in 2009.
- 2.41 With respect to monitoring, the Action Plan clarifies that “management will track two levels of progress towards the IDB-9: (i) lending program indicators; and (ii) regional development goals and output contributions related to protecting the environment, responding to climate change, and promoting renewable energy.” It states that progress toward the IDB-9 lending target will be monitored in the Quarterly Business Reviews according to the classification guidelines for operations that support climate change adaptation and mitigation actions prepared by the Office of Strategic Planning and Development Effectiveness (SPD) in collaboration with the Vice Presidency for Countries (VPC), Vice Presidency for Sectors and Knowledge (VPS), and the Vice Presidency for Private Sector and Non-Sovereign-Guaranteed Operations. This system will ensure that operations are properly classified and quantified toward the IDB-9 objectives. SPD and VPS will monitor progress toward the IDB-9 expected output contributions and regional development goals identified in the Results Framework 2012-2015.⁴⁰
- 2.42 In addition, the Action Plan explicitly identifies a number of “results” expected from implementation of the CCS that it further characterizes as outcomes that each of the strategic lines would aim for:⁴¹
- Increased number of knowledge products and increased knowledge use by clients;
 - Increased institutional capacity (public/private) for implementation of climate change initiatives, programs, and projects;
 - Increased Bank capacity for preparing and developing climate change operations;
 - Increased Bank lending and technical assistance, and broader number of innovative instruments available for climate change operations; and
 - Increased leverage of international finance for climate change.

However, the Action Plan does not identify specific indicators with associated baseline values or estimated output targets that would be used to monitor progress toward attaining these desired results.

- 2.43 Thus, in general it can be concluded that the indicators associated with the CCS and its Action Plan are incomplete and insufficiently developed: they are not adequate to the agendas selected and the needs documented. Both the CCS and

⁴⁰ IDB, *Action Plan*, op. cit., §6.5-6.6.

⁴¹ *Ibid.*, §6.1.

the Action Plan propose a large number of commitments and actions to be implemented by the Bank (see Annex B), each of which should ideally be monitored with clear baseline figures and output targets, in addition to the indicators mentioned above. There is a need to go back to the three interrelated “agendas” enunciated in the title of the strategy—climate change adaptation, climate change mitigation, and sustainable and renewable energy or “sustainable practices” more generally—and clarify, through a detailed results framework, what the specific Bank objectives are, how they would be achieved, and how progress would be monitored and evaluated using specific indicators with their associated baseline values (for 2010) and output targets (for 2015). Similarly, the pertinent IDB-9 indicators for outputs and regional goals would benefit from additional detail (including baseline date in some areas for 2005-2008 and targets—e.g., CO₂ emissions—in others), as well as more specific ones for sustainable and renewable energy and climate change adaptation.

6. Monitoring and evaluation

- 2.44 The actions to monitor and evaluate the Strategy’s outcomes and risks are not well defined. This is a very weak point of the Strategy. The CCS refers to the Action Plan in this regard, but the Action Plan does not detail the specific actions that will be taken to monitor strategy outcomes. Neither of these documents specifically mentions the monitoring of risks or evaluation of outcomes; nor does the Strategy foresee intermediate evaluations to track achievements and risks.
- 2.45 Likewise, the actions to monitor and evaluate implementation progress are not detailed. This is also a very weak point of the Strategy.⁴² The Action Plan identifies some desired results by strategic action lines and some overall outcomes to which implementation of the Strategy is expected to achieve, but neither the Strategy nor the Action Plan clearly presents a framework or system for monitoring and evaluating progress toward those outcomes, except in a table at the very end of the Action Plan that indicates implementation targets by semester for each of the 20 specific “areas of action.”⁴³ However, these areas of action are very broad (e.g., “public and private sector capacity to assess the consequences of climate change impacts and vulnerabilities,” “capacity building activities to (sic) Bank staff,” etc.) and the Action Plan does not set out any specific baseline indicators, or outcome, or even output, targets to facilitate their actual implementation monitoring and evaluation.

⁴² While two somewhat different sets of Bank commitments and actions are identified in the Strategy document and the Action Plan (see Annex B), no specific actions to monitor and evaluate their implementation progress are described.

⁴³ *Ibid*, CCSAP Actions, Responsibilities and Timeline. This tables also indicates the “Lead Unit” and “Support Units” for each of the 20 areas of action, but these too are very general, do not really indicate specific responsibilities by unit or even Vice Presidency, and thus are not very useful for monitoring actual implementation performance, especially where more than one unit is involved.

B. Does the Strategy make a difference?

2.46 OVE used different methods to determine whether the CSS makes a difference.

- It analyzed the evolution of the Bank's portfolio before and after the Strategy was formally adopted and of Bank resources and capabilities dedicated to the thematic area covered by the Strategy.
- It surveyed Bank staff and managers on whether they are familiar with the Strategy, how much they are likely to use it in their work, and how influential they believe it will be in the selection of new lending operations in the years immediately ahead.
- It interviewed key Banksector managers whose units would be/are engaged in implementing the Strategy—those for agriculture and natural resources, energy, transportation and water supply and sanitation, and climate change.

1. Portfolio analysis: Before and after the CCS

2.47 The CCS, approved in March 2011, followed on the strategic framework for supporting Climate Change Action in LAC (also known as the Climate Change Strategy Profile), communicated to the Bank's Board of Executive Directors in March 2010, and the SECCI, which was formally established in March 2007. For the sake of simplicity, this evaluation assumes that relevant operations approved before the end of 2010 were developed before the Strategy was approved, and those approved from the beginning of 2011 and in the pipeline for 2012 and beyond were developed subsequently. All the data used in this subsequent analysis were provided to OVE by the new Climate Change Division or drawn from formal SECCI progress reports (see Annex C for further detail).

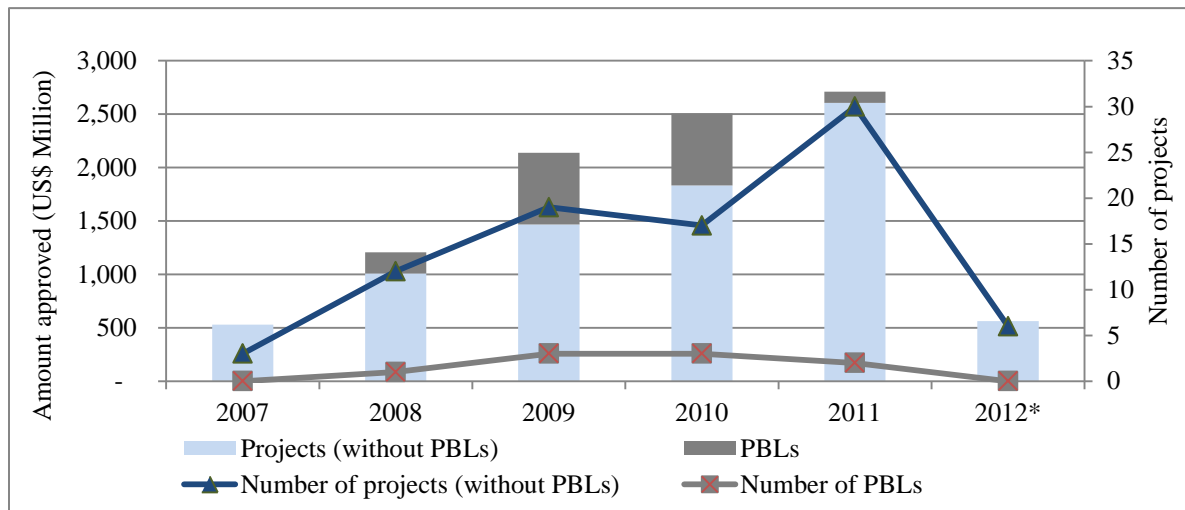
a) IDB lending

2.48 According to the data from the SECCI Reports, the Bank's portfolio for renewable energy and climate change mitigation and adaptation has increased over time since 2007 (see Figure 2). Between 2007 and 2010, IDB approved 58 loans related to sustainable energy and climate change loans (51 projects)⁴⁴ in 18 countries and one regional operation, involving total commitments of nearly US\$ 6.4 billion. In 2011, there were 33 such loans for 30 projects in 16 countries and three regional operations, involving commitments of more than US\$2.7 billion, reportedly representing 13% of the Bank's total loans and 19% of its commitments in that year. Thus, both the number of loans and commitments for sustainable energy and climate change increased in 2011 relative to previous years.

⁴⁴

Five projects had two parallel loans and one (in Nicaragua, for a Sustainable Electrification and Renewable Energy Program) had three.

Figure 2. Evolution of IDB Projects, Loans, and Commitments for Sustainable Energy and Climate Change



* Through May 31, 2012.

2.49 In January 2012, SPD approved guidelines for classifying lending program priorities (GN-2650), based on the commitments established in the IDB-9 and aimed at allowing for consistent classification. The lending program priority indicator uses automatic or conditional criteria. Some subsectors automatically classify under the lending target to support climate change initiatives, sustainable energy, and environmental sustainability (i.e., water and sanitation, environmental protection), while for other sectors and subsectors (energy, transportation, agriculture, etc.) such a classification is conditional, depending on the outputs or outcomes described in the project.

2.50 These guidelines are broad and arbitrary and do not solve the problem of attribution of the contribution of each Bank division to the lending targets. Given the complexity of these sectors and the variety of IDB projects, an in-depth revision of these criteria is needed. In fact, using SPD guidelines, between 2006 and June 2012, there are 319 lending operations (and 708 technical cooperation operations) involving total commitments of nearly US\$19 billion classified under climate change objectives. In 2006, the climate change portfolio represented 9% of the total portfolio, and in 2011 it represented 46% of the IDB portfolio. These numbers do not match with SPD's calculated baseline for the IDB-9 lending targets and do not adequately capture the actual size of the climate change portfolio, and they could misstate progress toward lending targets. A detailed portfolio analysis using SPD guidelines is included in Annex C.

b) Lending by instruments

2.51 Policy-based loans (PBLs) made up noteworthy shares of total lending before the approval of the CCS, accounting for more than 31% of total IDB commitments for sustainable energy and climate change in 2009 and nearly 27 percent in 2010,

but falling off significantly in 2011. A total of US\$1 billion was committed to Mexico alone for three PBLs for successive stages of its Climate Change Agenda Support Program between 2008 and 2010. There were also two such loans each to Guatemala (for a total of US\$250 million) in 2010 and Peru in 2010 and 2011 (for a total of US\$50 million), and one each to Colombia in 2009 (US\$250 million) and to Trinidad and Tobago in 2011 (US\$80 million). It is important to remember, however, that although PBLs are lending products, they are not used directly to finance climate change or sustainable energy-related investments; rather they go into national treasuries for use as the national finance ministries see fit (generally for balance of payments support) in exchange for the governments' having met certain (in this case climate-change-related) policy or institutional conditions or triggers. Thus, it is important to distinguish between the loan amounts committed by the Bank for climate-change-related policy and institutional objectives, on the one hand, and, on the other, the actual new amounts invested by the recipient countries for climate change mitigation or adaptation—which may be considerably smaller in practice.

- 2.52 For example, in Phase I of the pioneering programmatic US\$1 billion Climate Change PBL in Mexico, the objectives were to develop a national climate change policy, strengthen the institutions that are responsible for implementing the policy, promote carbon markets and financial instruments to reduce GHG emissions, and promote instruments to assess and reduce vulnerability and risks associated with climate change. The commitments involved such actions as public consultations, studies, creation of a bureau, and the formulation of proposals for financial incentives to reduce emissions. These three loans were accompanied by several nonreimbursable Bank technical cooperation projects to support such things as preparing studies, establishing the new bureau, developing mitigation and adaptation programs, and developing and implementing state-level climate action plans. Thus, the technical cooperation projects were essential for the Mexican Government's ability to meet its commitments for this PBL. However, for the most part, these three operations did not entail actual investments in climate change mitigation and adaptation measures on the ground, even though they arguably did result in building relevant institutional capacity and establishing new financial mechanisms, action plans, and information sources at both the national and (selectively) subnational levels, creating important preconditions (and pre-investments) for such actions in the future.
- 2.53 Thus, it is misleading to suggest that Bank PBLs, such as those for Mexico, translate directly into an equivalent or even substantial amount of actual new physical investments for climate change mitigation and adaptation or renewable and sustainable energy, because the resources transferred through this instrument are not used specifically for these purposes. However, they do focus on relevant policy and institutional measures and pre-investment requirements for such measures in the future. Viewed from another perspective, the lesser use of this lending instrument since 2010 also means that Bank finance in support of actual climate change and sustainable energy investments has increased since approval

of the CCS, while more such operations are in the pipeline for the rest of 2012 (although this may be totally unrelated to the existence of the Strategy).

c) Lending by sector

2.54 Table 5 and Figure 3 show the evolution of the Bank's climate change portfolio subsector/theme.

Table 2. Evolution of Climate Change and Sustainable Energy Projects by Theme

Theme	2007	2008	2009	2010	2011	2012
Watershed management	1		1	1		
Agriculture	1	1			1	
Sustainable energy	1		2	3	5	1
Solid waste management		1	1			
Sustainable transportation		3	1	3	4	1
Bioenergy		2	3	1		
Renewable energy (excluding hydropower and bioenergy)		1	2	2	7	
Energy sector rehabilitation and efficiency		2	1	1	3	
Climate Change Policy		1	3	2	2	
Energy Efficiency		1			2	
Hydropower			3		1	
Disaster risk mitigation			1			
Climate Change Finance			1	1		
Rural electrification with renewable energy				1	2	
Climate change adaptation				1	3	2
Wastewater management				1		
Land tenure management						1
Environment						1
Total	3	12	19	17	30	6

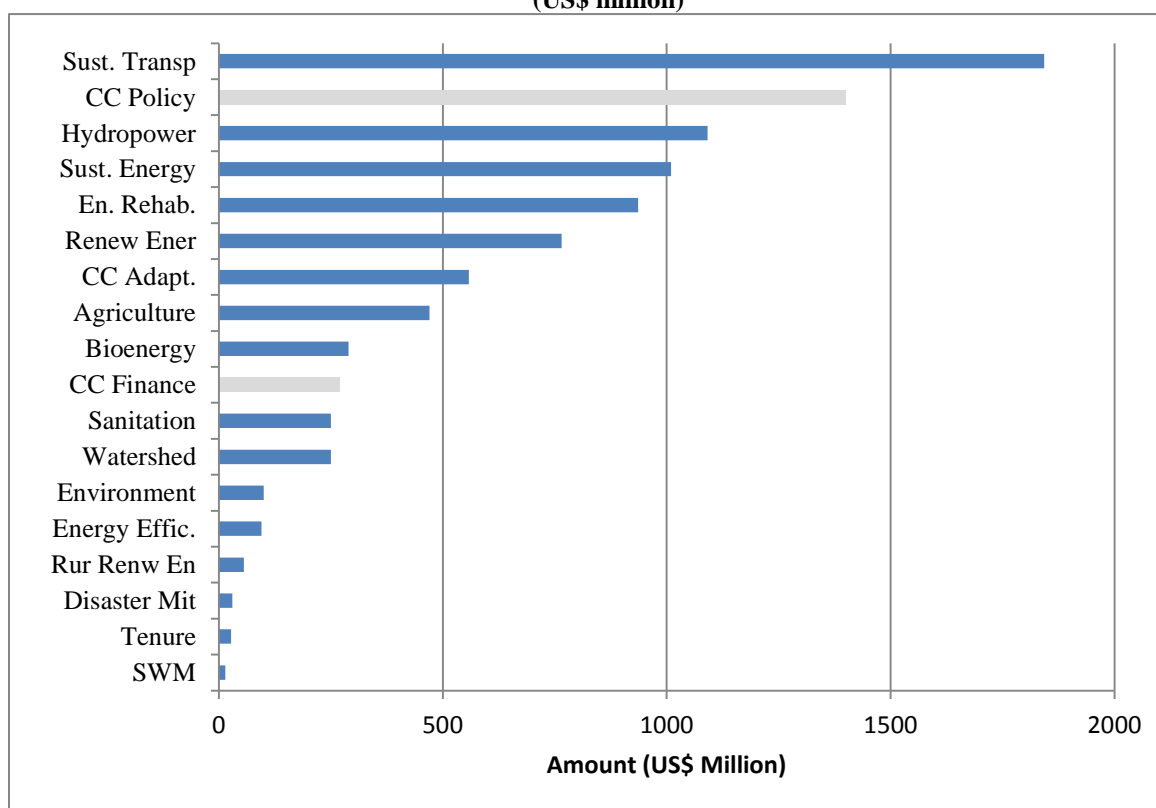
Note: PBLs in bold.

Source: IDB, Climate Change and Sustainability Division.

2.55 While these figures are impressive, they must be interpreted with caution. The extent to which some of these projects are primarily intended to achieve climate change adaptation or mitigation objectives can be questioned. In 2007, for example, the US\$240 million watershed management project that is included in the list of the Bank's climate-related operations was for hydrological infrastructure in the northern part of Argentina. This is part of a huge Bank-financed multisectoral infrastructure program that also includes roads and energy investments for development of the region and aims to improve the use of water resources through investments in irrigation and drainage, water supply and sanitation, and other hydraulic works. While the operation may indeed have some positive effects in terms of helping the Region adapt to climate change, this is not the project's primary purpose, nor is it among its declared objectives.

2.56 Similarly, the two Agricultural Services Programs in Argentina (totaling US\$450 million)—both classified by the Bank’s Climate Change and Sustainability Division as adaptation loans—aim “to provide services, investments and business plans to farmers in the provinces” through such components as agricultural infrastructure and services, irrigation and drainage infrastructure, and agribusiness promotion. Other operations in this group are large sustainable urban transport projects, urban solid waste management and sanitation projects, and investments for the rehabilitation of existing energy facilities. Such operations are undoubtedly worthy undertakings, and may contribute to improved water resource or land management, reduced GHG emissions, or greater use of renewable energy sources; but it is a bit of a stretch to claim that their purpose is adaptation to climate change. Thus, it is important to distinguish between those projects that have climate change adaptation or mitigation or sustainable and renewable energy generation as their primary objective and those, especially in the agricultural and water resource management sectors, that are designed mainly for other purposes but may, if well implemented, also have climate-change-related benefits.

Figure 3. Commitments for Climate Change and Sustainable Energy Projects, 2007-2012
(US\$ million)



Watershed = watershed management; SWM = solid waste management; Renew Ener. = renewable energy (excluding hydropower and bioenergy); En. Rehab. = energy sector rehabilitation and efficiency; Disaster Mit. = disaster risk mitigation; Rur. Renw. En. = rural electrification with renewable energy; Wastewater = wastewater management; Tenure = land tenure management.

Source: IDB, Climate Change and Sustainability Division.

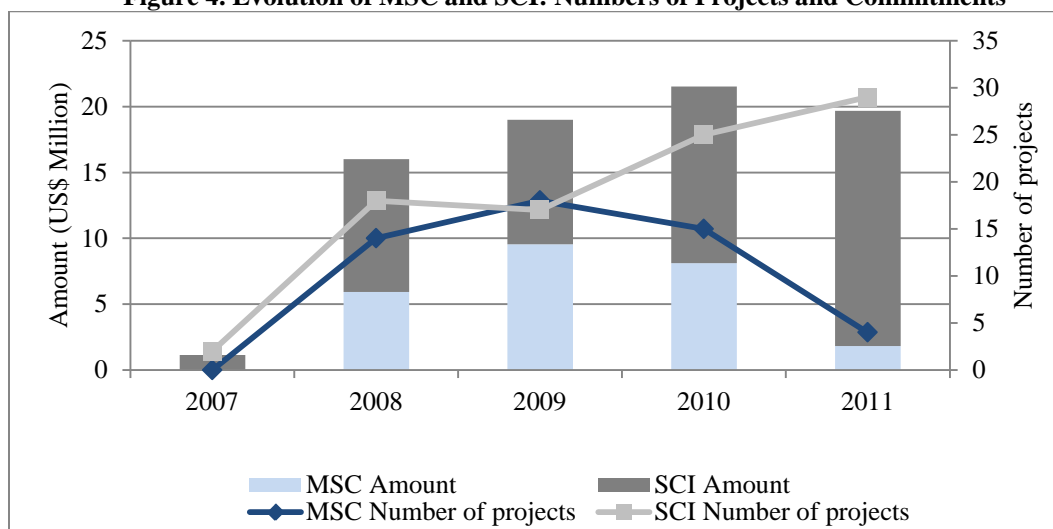
- 2.57 These considerations notwithstanding, the data nevertheless indicate that the number of Bank projects focused at least partially on climate change adaptation and sustainable energy has increased in recent years. It must be noted, however, that operations supporting climate change adaptation—specifically the US\$10 million loan to Nicaragua in 2010, the US\$120 million loan to Colombia and US\$100 million commitment to Peru in 2011, and a US\$100 million loan to Panama in 2012—are designed to help reduce vulnerability to natural disaster risks more generally. On the other hand, the loans for sustainable and renewable energy—which are all positive from the standpoint of climate change mitigation because they help reduce consumption of nonrenewable energy sources such as fossil fuels—also increased in both number and total commitments in 2011 relative to previous years. Such loans include financing for wind energy projects in the Dominican Republic and Mexico, as well as a regional one, all approved in 2011. This is fully consistent with the objectives of the CCS, although it is unclear what effect the Strategy itself has had in this regard.
- 2.58 More generally, it is difficult to assess the specific impact of the Strategy in terms of what appears to be a significant increase in new Bank commitments reportedly for climate change mitigation and adaptation and sustainable/renewable energy purposes, given that activities in these areas have been growing since the establishment of SECCI in early 2007. Bank technical cooperation operations financed by the two SECCI trust funds have undoubtedly played an important role in helping both to strengthen internal Bank and client country institutional capacity and to expand the Bank’s lending portfolio and pipeline in these areas. In practice, the Strategy in and of itself may have made little additional difference, especially as interviews with Bank operational managers suggest that internal dissemination of the Strategy and Action Plan has been limited, and many staff—both at headquarters and in the field offices—are not fully aware of their content. In this sense, the CCS can perhaps best be viewed as a formal acknowledgement and confirmation of the Bank’s own rising institutional concern and commitment in this area, rather than a catalytic new call to action.

d) Technical cooperation projects

- 2.59 Between 2007 and 2011 the Bank financed 142 technical cooperation projects, involving total commitments of over US\$77.3 million, from two climate-change- and sustainable-energy-related trust funds set up in connection with SECCI. Of these, 51 nonreimbursable technical cooperation projects, involving commitments of over US\$25.4 million, were funded from the Multidonor SECCI Fund (MSC), which began operations in 2008; and 91 such operations, for total commitments of more than US\$51.9 million, were funded from the Bank-funded Ordinary Capital Special Program (SCI), established in 2007. The SCI, originally capitalized by the Bank with US\$25 million, was replenished in 2010 with another US\$50 million for 2010-12, resulting in a total IDB commitment of US\$75 million through 2012. The MSC has involved other donor contributions of US\$26.8 million through 2011 and additional commitments of nearly US\$5.5 million for 2012-13, bringing the total to more than US\$34.3 million. Aggregate contributions and

commitments for both funds equal US\$104.3 million as of the end of 2011. (Figure 4 shows the evolution of these funds.)

Figure 4. Evolution of MSC and SCI: Numbers of Projects and Commitments



Source: IDB, SECCI Annual Report 2011.

- 2.60 Both the number of projects and total commitments from these funds have increased over time, although while SCI projects and commitments continued to grow between 2010 and 2011, those for MSC declined significantly in 2011, reflecting the lower availability of resources in the fund. In addition, part of the MSC resources—just over US\$1.7 million, or 7% of the total commitments from this fund—has been used to finance 15 specialized consultants (Trust Fund Appointees, or TFAs) to help the Bank operate SECCI and its activities related to climate change—for example, for work in energy research and dissemination, climate financing incentives and institutional framework, and carbon financing. The TFAs collaborated with a wide range of Bank divisions and country offices.
- 2.61 In addition to the TFAs, these two trust funds have financed technical cooperation projects in a number of areas related to energy and climate change (see Table 3).

Table 3. MSC and SCI Funding by Thematic Area, 2007-2011

Theme	MSC no.	MSC US\$ mil.	SCI no.	SCI US\$ mil.
Energy: Instit & Inc	6	\$ 2.52	19	\$ 10.63
Energy: RE & Biof.	2	\$ 1.30	8	\$ 5.18
Energy: R & D	21 (11)	\$ 8.88	16	\$ 6.27
Energy: Managemt	2	\$ 0.56	7	\$ 5.30
Adapt.: Instit & Inc	2	\$ 1.35	8	\$ 4.68
Adapt.: R. & D.	7 (1)	\$ 4.79	12	\$ 6.58
Adapt: Measures	1	\$ 0.15	3	\$ 2.90
Climate: Instit & In	4 (2)	\$ 1.87	3	\$ 2.33
Climate: Carb. Fin.	4 (1)	\$ 2.60	5	\$ 2.95
Climate: Instrum.			2	\$ 1.24
Forest: Instit & Inc			1	\$ 0.13
Forest: Conserv.	1	\$ 1.00		
Transport: Clean	1	\$ 0.40	7	\$ 3.74

Source: IDB, SECCI Annual Report 2011.

2.62 The largest number of projects financed by the two trust funds through the end of 2011 has been for energy research and dissemination (37, for US\$15.15 million, including 11 MSC grants to finance TFAs), and the second largest number for energy institutional and incentive frameworks (25, for a total of US\$13.15 million). Altogether, SECCI technical cooperation grants for energy-related themes between 2007 and 2011 accounted for 57% of the total number of operations and 52% of total commitments, compared with 23% of the operations and 26% of the commitments for adaptation to climate change, and 13% of the projects and 14% of the commitments for climate-financing-related concerns.

2.63 A comparison of 2011 technical cooperation approvals and commitments using SECCI fund resources with those between 2007 and 2010, reveals the following characteristics:

- Of all operations approved over the entire period, 23% (involving 25% of the total commitments) occurred in 2011, indicating that the average commitment in that year was somewhat higher (roughly US\$596,000) than that for the preceding four years (on the order of US\$529,000).
- In 2011 there were above-average shares in terms of the number of projects for those involving energy management systems (44% of the total for the entire period), renewable energy and biofuels (40%), institutional and incentives frameworks for adaptation (30%), institutional and incentives frameworks for energy (28%), and adaptation measures and clean transportation systems (25% each), while the number of projects in the other thematic areas was lower than the five-year average.
- In 2011 there were above-average shares of terms of total commitments for renewable energy and biofuels (44%), energy management systems (37%), institutional and incentives frameworks for energy (34%), adaptation measures (30%), institutional and incentive frameworks for adaptation (29%),

and clean transportation systems (28%), while the other themes were below the overall average.

This suggests, therefore, that in 2011, relative to the previous years, less attention was given to energy and adaptation research and dissemination, climate financing, including carbon finance, and forest-related activities (although these have been relatively minor in any case).

- 2.64 In summary, these data indicate that since 2011, there has been a shift in focus from research and dissemination to an increased emphasis on institutional and incentive frameworks—measures for renewable energy and biofuels, energy management systems, adaptation to climate change, and clean transport systems—even if the total volume of SECCI grant funding actually declined somewhat during 2011 because of a much lower number of projects and total commitments from the MSC. On the other hand, as Table 4 clearly indicates, both the number of projects and total commitments from the SCI increased significantly in 2011 compared with 2010 (and the same had happened in 2010 relative to 2008 and 2009), suggesting that the Bank stepped up its efforts through the use of its own—as opposed to other donors’—resources to support its objectives in these areas.
- 2.65 According to the SECCI Annual Report for 2011, a number of these technical cooperation operations have supported the preparation of new IDB lending operations for sustainable energy and climate change—nine in 2011 alone. There was also a strong technical cooperation pipeline for 2012 and 2013, including 45 projects for an estimated total of over US\$24.9 million for 14 different countries, plus a number of regional operations.⁴⁵

e) Retainers

- 2.66 In addition to using the MSC and SCI funds to support technical cooperation projects and TFAs, since 2008 SECCI has hired 14 consultant firms as “retainers,” at a cost of US\$11.395 million. The activities of all but one of these retainers have been regional in scope. For example, they supported evaluation and validation of projects under the carbon markets; carried out climate change modeling for LAC; explored bioenergy alternatives in LAC; developed land use, land use change, and forestry investment opportunities in LAC; and developed wind energy investment in LAC. These investments also signal increasing attention to climate-change-related concerns, especially adaptation and renewable energy, since the CCS was approved.

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This includes dissemination of state-of-the-art information on energy efficiency in LAC, fostering sustainable energy in LAC, performance fund for protection and recovery of climate services, supporting knowledge exchange and development for climate finance, technical support to development banks for the mitigation of climate change, support to a biodiversity and ecosystem services platform, strengthening low-carbon energy capacities in LAC, the impact of climate change and policy options in Central America and the Dominican Republic, and financing an expert on forestry and climate change.

f) Investment grants

2.67 Finally, between 2009 and 2011, SECCI has also provided seven investment grants to five countries for a total of nearly US\$4.3 million, mainly for energy efficiency and renewable (i.e., wind and solar) energy development:

- In 2009, a US\$1 million grant to Brazil for an energy efficiency program for low-income clients, a US\$750,000 grant to Jamaica for a wind and solar development program, and a US\$500,000 grant to the Bahamas for promotion of energy efficiency lighting.
- In 2010, a US\$1 million grant to Haiti for an emergency program for energy generation, a US\$650,000 grant to Bolivia for pilot adaptation measures to climate change in the water sector, and a US\$300,000 grant to Brazil for a solar voltaic pilot project.
- In 2011, a US\$186,769 grant to Brazil for a portable light project.

g) Conclusions

2.68 To sum up, the Bank has stepped up its financing of investments related to climate change mitigation and adaptation and sustainable and renewable energy in its client countries since the formal approval of the CCS in March 2011. It has also continued to support relevant knowledge generation and dissemination and project preparation through its technical cooperation operations at both the country and regional levels. Moreover, it has continued to strengthen its own internal technical capacity with respect to climate change and sustainable and renewable energy, in part by using SECCI trust fund resources to hire TFAs. Thus, the CCS has been part of—and has directly benefited from—an ongoing process that began with the establishment of SECCI in 2007.

2.69 However, it is difficult, if not impossible, to determine exactly how much the Strategy in and of itself has been responsible for the increased lending and technical assistance provided by the Bank over the past year or so. The best we can say at this point is that it has likely made some positive contribution and provided additional internal momentum to these activities. The ultimate test of the effectiveness of all of these operations will be their outcomes on the ground—that is, how well the projects in the Bank's climate change portfolio are implemented and what their concrete results are in helping client countries to better adapt to and mitigate climate change and to increase their sustainable and renewable energy shares in the national and regional energy matrices. It is still too early to assess results in this regard, but the Bank should give increasing attention to this in the years ahead. In addition, it should also carefully assess the extent to which the nine PBLs for climate-change-related policy and institutional measures have made a difference on the ground, in terms of both increasing national investments for climate change and strengthening internal capacity and incentive frameworks. Only then will it be possible to judge the extent to which the IDB's CCS has truly made a difference with respect to its declared objectives of contributing to low-

carbon development and addressing key vulnerabilities to the consequences of climate change in LAC.

2. Analysis of resources and capabilities

- 2.70 Bank staffing for climate change and sustainable energy has increased significantly over the past few years. When SECCI started in 2007, only two or three regular Bank staff were assigned to this initiative. Over the next couple of years, significant use was made of the TFAs, outside experts hired as short-term consultants with financing mainly from the MSC.⁴⁶ According to the SECCI Annual Report for 2011 (the year when the CCS was formally approved), there were 14 TFAs. The number of such consultants has now decreased significantly: only three TFs remain, and their contracts are expected to expire before the end of 2012. Over time, however, and especially during the past three years, the number of regular Bank staff with relevant academic backgrounds and professional experience has increased substantially.
- 2.71 As of January 1, 2012, the Bank has also created a Climate Change and Sustainability Division. The former head of the SECCI Unit is now Chief Advisor to the Executive Vice President, and the Chief of the new Climate Change and Sustainability Division is a World Bank retiree who has 38 years of relevant experience. The conversion of the unit into a division means that it can co-lead new investment lending operations with the sectors (e.g., energy, transport); as a unit, its team leadership responsibilities had been restricted to climate-change-related PBLs and preparation and oversight of technical cooperation activities financed by the two SECCI trust funds (the new division does not manage the SECCI funds, though). This change also implies a more permanent position and status for climate-change-related operations and activities in the Bank's organizational structure and puts its head at the same hierarchical level as the other Bank Division Chiefs within the Vice Presidency for Sectors.
- 2.72 It should be pointed out, however, that the establishment of a dedicated Bank Division for Climate Change was not itself one of the recommendations or actions defined in the 2011 Strategy, and it may or may not necessarily be the best way of approaching this cross-sectoral theme in terms of the Bank's internal organization. For example, there is no internal Bank division for poverty reduction, another important cross-cutting theme for which there is a specific lending target. In particular, setting up a new division—as opposed to maintaining a technical unit or group directly linked to the office of the Vice President for Sectors, as for the similarly transversal environmental and social safeguards, for example—would seem to go against the Bank's "mainstreaming" objective in relation to its activities concerning climate change. Indeed, it could result in increasing tensions or "territorial" disputes with the existing infrastructure sector divisions, such as those for agriculture and natural resources and transport, with

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The other sources of funding were the Japanese Consultants Fund and the Finnish Technical Assistance Program, which were responsible for one TFA each.

respect to the identification and management of new climate change-related operations. It could also make coordination among these various divisions more difficult. At the same time, the elimination of “sustainable energy” from the title of the new Climate Change and Sustainability Division resolved an earlier overlap of technical and operational responsibilities between the former SECCI unit and the Energy Division in VPS. As a result of this change, moreover, the budget for SECCI is now being managed and controlled directly from the front office of the Infrastructure and Environment Department, which divides it between the Climate Change and Energy Divisions in accordance with the type of activity (i.e., climate vs. sustainable energy) involved.

- 2.73 As of the end of July 2012, the 17 regular Bank staff who are assigned to the Climate Change and Sustainability Division have relevant academic backgrounds and years of professional/Bank experience. More than half of these staff members have been in the Bank for three years or less, and most had relevant professional experience before joining the IDB. This indicates that the Bank has been consciously staffing up internally to support implementation of the Strategy, while at the same time reducing its dependence on TFAs. In addition to the regular staff and TFAs, the Climate Change and Sustainability Division has five specialized consultants—all with relevant profiles—financed by other sources. Thus, the Bank appears to possess qualified regular staff and consultants with a variety of pertinent backgrounds and professional experience to support its activities related to implementation of the CCS—without considering staff assigned to other divisions, such as Energy, Transport, and Natural Resources, who are also engaged in these activities. While the numbers of these staff in other divisions working part or full time on climate change and/or sustainable energy-related operations and activities is difficult to determine, their existence is nonetheless significant in view of the Bank’s declared commitment in the Strategy to mainstream climate change considerations in various sectors and areas of intervention, especially energy, transport, agriculture, water, rural and urban development, and natural disaster risk management.
- 2.74 All but five of the regular staff and consultants, excluding TFAs, mentioned above are based in Washington, DC; one each is based in the Brazil, Colombia, Peru, and Guatemala Country Offices; and two are in the Mexico Country Office. All five of the country-based staff have been in the Bank for three years or less—and three of them for 1.5 years or less—indicating that the decentralization of climate change specialists to the field is a fairly recent phenomenon. The increasing presence of Bank climate change specialists in the resident missions is important, both because of their greater everyday contact with client country policy/decision makers and technical/operational staff and also because of their opportunity to help “train” other Bank professionals in the field offices about the importance of these concerns and ways of helping borrowers to address them.
- 2.75 Bank staff and consultants currently assigned to the new Climate Change and Sustainability Division (CCSD) and previously to the SECCI Unit have played an important role in developing many operations. The CCSD approved the technical

cooperation projects mentioned above, collaborated in the nine climate change PBLs, and provided support to other Bank sector divisions in the preparation of climate-change-related components and elements of new lending operations. Over the past two years these staff have also prepared climate-change-related “sector notes” as inputs for new IDB Country Strategies,⁴⁷ as well as climate “dialogue notes.”⁴⁸ This might be a sign of progress, but how much the content and recommendations of these notes have been translated into Country Strategies and subsequent Bank dialogue with key national decision-makers remains to be seen.

- 2.76 It is also important to point out that several of the other sector divisions within the Infrastructure and Environment Department in VPS have increased their staffing with respect to climate change and/or sustainable energy. In particular, the Energy Division has essentially doubled its technical staff (from 13 to 25, 15 of whom are located in the field offices) since the Bank’s reorganization in 2007. This has allowed the Division Chief to recruit staff with skills and knowledge in the areas of renewable and alternative energy. The Water and Sanitation Division has recruited a specialist in the area of adaptation to climate change who is now leading its work in this regard. Both divisions report a good working relationship with the manager and staff of the new CCS Division, as do the Agriculture and Natural Resources and Transport Division Chiefs. However, while managers report that they welcome technical support from the CCS Division, their divisions firmly maintain primary responsibility for leading their climate-related lending projects.

3. IDB staff survey⁴⁹

- 2.77 Although the Strategy involved an extensive public consultation process and internal dissemination,⁵⁰ the OVE survey results indicate that many Bank staff have limited knowledge of the CCS. Among staff in the VPC, for example, the largest share (44%) had only heard of the Strategy or were totally unfamiliar with it (16%), while just 10% stated that they had “read and knew” the Strategy. The situation among staff in relevant departments of VPS was, as might be expected, more positive: 26% of the respondents indicated that they had “read and knew” the CCS and another 37% percent had read parts of it, while 8% said that they were totally unfamiliar with it. Staff in VPS and VPC were surveyed as to the

⁴⁷ Those for Argentina, Bahamas, Belize, Brazil, Ecuador, Guyana, Jamaica, Peru, Panama, and Trinidad and Tobago.

⁴⁸ Guatemala, Mexico, and Nicaragua, although this was as part of a more general such note on natural disaster management.

⁴⁹ See Background Paper: *IDB-9 Staff Survey* for more details.

⁵⁰ The elaboration of the Strategy throughout 2010 and early 2011 involved close collaboration with INE divisions and other departments of the Bank, including technical working groups engaged in the development of the analytical documents that support the Strategy and widespread participation and support (from staff in headquarters and country offices) in seven regional consultations and one consultation in DC headquarters. In addition, the outreach and dissemination plan of the Strategy included presentations to country departments where country offices participated via videoconference, as well as presentations in specific countries and material elaborated in collaboration with KNL.

extent to which the CCS had influenced their work with respect to their key activities. The results indicate that VPC staff have made relatively little use of the Strategy compared to VPS (see Table 4). VPS and VPC staff were also asked how influential they thought the sector strategies would be likely to be in the selection and design of new Bank lending operations in 2013-2015. As regards the CCS, 29% of the respondents said they thought it would have a “prominent” role and another 48% indicated that it would have some role, while 18% affirmed it would have only a minor role and just 5% that it would have no role.

Table 4. Use of the Climate Change Strategy by VPC and VPS (%)

Used the Strategy during the last year in the following activities		Never	Sporadically	Often	Regularly
Vice Presidency for Countries	Country Strategies & programming	55	23	13	9
	Country dialogue	58	23	11	8
	Project preparation	59	20	14	7
Vice Presidency for Sectors and Knowledge	Lending projects	21	26	36	16
	Technical cooperation	23	24	37	16
	Analytic work	23	24	35	18
	Country dialogue	29	20	32	20

Source: OVE Survey of Bank Staff, 2012.

- 2.78 In general terms, the results of the survey suggest that, while many staff—including some in VPC and in the Infrastructure and Environment Division of VPS have little or no familiarity with the details of the CCS and have made only limited use of it (and there were similar findings for the other sector strategies associated with IDB-9), there is also a sense that it will have at least some, if not a “prominent,” role in the selection and design of new Bank lending operations in 2013-15.
- 2.79 OVE interviews with key Division Chiefs in the Infrastructure and Environment Division of VPS yielded similar findings. Most of those interviewed believed that their staff—and the staff of the Bank as a whole—had only limited, if any, familiarity with the text and details of the Strategy, but were aware of the IDB-9 lending target for climate change and environmental sustainability operations. Several of the Division Chiefs also affirmed that many, if not most, of their active portfolio and pipelines involved operations of relevance to climate change adaptation or mitigation. Largely as a result of SECCI and its trust funds, most of the pertinent Bank divisions, especially in the energy sector, were already engaged in relevant activities well in advance of the formal approval of the Strategy in early 2011. Therefore, most of the ongoing and pipeline projects in the energy sector, for example, involve various forms of renewable energy.
- 2.80 These interviews also suggested that in determining the usefulness of the CCS, it was important to consider the Strategy as both a product/document and a process.

In the case of the former, the main impact may be not so much in guiding staff in a new direction, but rather in external relations (including with Bank country clients as well as with Governors and interested nongovernmental organizations and other outside institutions): that is, the Bank can now demonstrate to the world that it has a specific strategy for climate change and sustainable energy.

- 2.81 However, the internal usefulness of the strategy preparation process, particularly to the extent that it involved significant consultation with—and, in parallel, increased awareness raising within—the affected sector divisions, should not be overlooked. In addition, elaboration of the Strategy allowed the Bank to take systematic stock of what its clients’ needs were with regard to climate change adaptation and mitigation and sustainable and renewable energy, and of what the Bank had done and was currently doing to respond to and to help inform and shape client demand through its country dialogue, analytic work, technical cooperation, and lending operations. Thus, from this perspective several of the Division Chiefs interviewed considered the Strategy to be quite useful, even if their technical staff were not very familiar with the specific content of the final document.

III. SUGGESTIONS GOING FORWARD

- 3.1 The following steps by Bank Management would help to ensure that the CCS is fully and effectively implemented.
- Expand efforts at dissemination to ensure that relevant country and sector managers and staff, both at headquarters and in the field offices, are fully aware of the content of the Strategy and the Action Plan, especially those actions and activities that the Bank has committed to undertake and support.
 - Revise the Action Plan to cover all actions and commitments identified in the CCS and to define specific means and timetables to achieve them, including specific institutional responsibilities and likely resource needs and sources.
 - Establish more specific information and goals on sustainable and renewable energy and climate change mitigation and adaptation at the country level. Specific country-level diagnostic studies can help in this regard and can be highly useful to individual borrowers. This might also help to illuminate the best uses for IDB instruments.
 - Follow up and monitor Bank commitments in the CCS: to “mainstream” climate change and sustainable energy considerations in its new Country Strategies and ongoing policy and lending program dialogues with its borrowing country members; to strengthen its own internal capacity in these areas, including additional training of its operational staff in the pertinent sectors; and to carefully monitor and systematically report on the GHG emissions and emissions reductions associated with all new investment projects that it finances.

- 3.2 Moving beyond the CCS itself, OVE suggests that Management revisit the criteria to classify IDB operations in the climate change, renewable energy, and sustainable environment portfolio to ensure accurate measurement and reporting on the contribution of IDB operations.

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LIST OF PERSONS INTERVIEWED

<i>Name</i>	<i>Title</i>	<i>Department</i>
Juan Pablo Bonilla	Chief Advisor	EVP/EVP
Walter Vergara	Division Chief, Climate Change and Sust.	INE/CCS
David Wilk	Climate Change Lead Specialist	INE/CCS
Hilen Gabriela Meirovich	Climate Change Sr. Specialist	INE/CCS
Susana Rosario Cardenas	Operations Sr. Specialist	INE/CCS
Nestor Roa	Division Chief, Transport	INE/TSP
Hector Malarin	Division Chief, Environment and Rural Dev.	INE/RND
Federico Basaños	Division Chief, Water and Sanitation	INE/WSA
Leandro Alves	Division Chief, Energy	INE/ENE
Hans Schulz	General Manager	SCF/SCF
Luis Diaz	Operations Lead Specialist	SPD/SPD
Matilde Neret	Operations Lead Specialsit	SPD/SDV

ANNEX A. SECTOR STRATEGY ASSESSMENT - RATINGS

DIAGNOSIS

1. Identification of the region's priorities/needs (presence of analytic work).	<p>A = Priorities/needs well identified, well defined, and specific</p> <p>B = Priorities/needs adequately identified</p> <p>C = General mention poorly defined, identified</p> <p>D = No mention of priorities/needs</p>
2. Identification of challenges to achieve the strategy objectives. (institutional capacity)	<p>A = Challenges well identified.</p> <p>B = Challenges identified with problems (e.g. specificity or causality)</p> <p>C = Some challenges identified, but are incomplete</p> <p>D = No identification</p>
3. Identification of the effectiveness of IDB previous experience in the sector.	<p>A = Effectiveness of previous experience well identified</p> <p>B = Previous experience identified, although some problems of analysis</p> <p>C = Some previous experience identified, but non-specific</p> <p>D = No identification</p>
4. Description of competitive and comparative advantages of the IDB in the sector.	<p>A = Superior description, competitive/comparative advantages are properly identified</p> <p>B = competitive/comparative advantages described, but some problems with relevance or specificity remain</p> <p>C = Some description, but incomplete, not relevant or not specific</p> <p>D = No description of competitive/comparative advantages</p>

RATING

B

OBJECTIVES AND LOGICAL CONSISTENCY

1. Identification of Strategy Objective based on evidence. Consistency between Sector strategy (Objectives) and region/country needs demonstrated	A = Superior. The Sector Strategy and the region are striving towards the same objectives B = Objectives seem to be aligned. Adequate C = Some objectives are consistent, but are mostly unrelated D = No attempt to show consistency between objectives and region needs	C
2. Identification of activities to be undertaken to achieve the Bank's sector objectives through chosen strategy.	A = Actions fully consistent with objectives and constitute a strategy B = Although actions are defined they do not constitute a strategy C = Actions are defined, but are not related with objectives and do not comprise a strategy D = No actions defined	
3. Alternative strategies identified for each objective. Identification of key areas in which the Bank will not participate.	A = Alternatives identified and well justified B = Alternative identified but not well justified C = Alternative weakly identified and not well justified D = No alternative defined	
4. Link between sector strategy objectives and proposed activities. Justification for choice of Bank instruments.	A = Objectives and activities/instruments logically related B = Logical relationship demonstrated throughout, but relationship is still indirect C = Objectives and activities/instruments related, but incomplete and indirect D = Objectives and activities/instruments are not demonstrated to be logically related	C

RATING	C
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RISKS

- | | |
|---|---|
| 1. Risks associated with the strategy are identified. | <p>A = Superior description, risks are properly identified, specific</p> <p>B = Description still lacking in one key area (completeness, specificity or relevance)</p> <p>C = Some description, but incomplete, not relevant, or not specific</p> <p>D = No description of risk factors</p> |
| 2. Measures proposed to mitigate risks identified. | <p>A = Complete assessment of risks</p> <p>B = Risk measures identified, but still lacking in key dimensions (relevance, specificity, supported by evidence)</p> <p>C = Some discussion of measures to mitigate, but these are not specific, relevant and not supported by evidence</p> <p>D = No discussion of risk mitigation</p> |

RATING

C

INDICATORS

- | | |
|---|---|
| 1. Indicators relating to the general/specific objectives identified. | <p>A = Complete set of indicators available to measure progress toward objectives</p> <p>B = Full set of indicators, but still lacking in specificity or relevance</p> <p>C = Poor. Indicators present, but incomplete, non-specific, or not relevant</p> <p>D = No indicators</p> |
| 2. Baselines defined for indicators. | <p>A = Superior. A full set of baselines is presented.</p> <p>B = Most indicators have baseline</p> <p>C = Some baseline information, but largely incomplete</p> <p>D = No baseline information</p> |
| 3. Milestones/targets defined for indicators. | <p>A = Superior. A full set of milestones is presented.</p> <p>B = Most indicators have milestones;</p> <p>C = Some milestone information, but largely incomplete;</p> <p>D = No milestone information</p> |
| 4. Progress implementation indicators identified. | <p>A = Superior. A full set of progress implementation indicators present and discussed</p> <p>B = Most objectives have progress indicators and implementation progress is satisfactory</p> <p>C = Some information on implementation, but largely incomplete</p> <p>D = No progress implementation indicators and discussion</p> |

RATING

C

MONITORING AND EVALUATION

1. Actions to monitor and evaluate strategies' outcomes and risks detailed.

A = A highly specific, relevant and complete plan developed to monitor
 B = Actions still lacking in one key dimension (i.e. completeness, specificity)
 C = Some mention of actions, but incomplete, not specific, or not relevant
 D = No actions defined

2. Actions to monitor and evaluate implementation progress detailed

A = A highly specific, relevant and complete plan developed to monitor
 B = Actions still lacking in one key dimension (i.e. completeness, specificity)
 C = Some mention of actions, but incomplete, not specific, or not relevant
 D = No actions defined

RATING

D

ANNEX B. MATRIX: CCS AND ACTION PLAN

Strategic Action Lines/Actions – CCS (2011)	Strategic Action Lines/Actions – Action Plan (2012)
<p>Strengthen the Knowledge Base:</p> <ul style="list-style-type: none"> • create the conditions to enable the identification, generation, application and dissemination of knowledge to strengthen the institutional, technical and financial capacity of the Bank and its clients, and be better prepared to face the challenges associated with climate change and sustainable energy • provide guidance for Bank dialogue with governments, civil society, academic/scientific community, and the private sector in relation to the achievement of regional and national targets on climate policy • address sector-specific research and policy needs of the multiple sectors participating in the climate change agenda, including energy, water resource management, agriculture and livestock, land use and forestry, transport, health, urban development, fiscal management, coastal management and disaster risk management • address the need for deeper understanding of the multiple dimensions of climate change policy and decision-making, including environmental science, economics, politics, technology, technical dialogue, development of strategic alliances and partnerships, and outreach and communication • guiding the development of knowledge activities related to institutional strengthening, to the mainstreaming of climate change, to sector specific assistance and to the scaling up of investments. The Bank will prioritize the pursuit of activities to increase the generation, systematization and dissemination of knowledge in the climate change field, including: <ul style="list-style-type: none"> ○ <i>Data collection of key information for climate change research and decision making, development of databases, data homogenization and sharing</i> ○ <i>Studies on climate change including economic and social dimensions</i> ○ <i>Tools and instruments to assess climate impacts and mitigation potential, climate vulnerability and risk management and to screen investment projects for sustainability</i> ○ <i>Networks, partnerships and platforms to address climate mitigation and adaptation challenges.</i> 	<p>Strengthen the Knowledge Base:</p> <ul style="list-style-type: none"> • <i>make climate change science and technical information readily available to Bank clients and operations</i> – facilitate and support the use of the best available scientific information, technical advances, reliable sector data and new Bank generated information for the formulation and execution of climate associated studies in adaptation and mitigation of climate change • <i>provide clients with access to adequate data, information, tools and instruments to assess climate change impacts and identify, implement, monitor, report and verify adaptation measures and GHG reductions, including the social and economic co-benefits of adaptation and mitigation</i> – provide its clients and stakeholders with adequate climate change information and support them in the use of the information in planning and implementing Bank operations; the Bank could support initiatives in partnerships with other MDBs, multilateral and bilateral organizations, NGOs, United Nations agencies and other relevant institutions • <i>support the identification and sharing of lessons learned in the region and the documentation of information regarding the Bank's climate change related operations</i> – as the field of climate change is in a developing stage, the Bank will continue to support the documentation of lessons learned by key clients and stakeholders (including the private sector) and from the global climate change community; the lessons learned will be disseminated using Bank resources, such as the Bank's Knowledge Repository, as well as through interagency partnerships and dedicated regional knowledge platforms.
<p>Strengthen Institutions and Public and Private Sector Capacity:</p>	<p>Strengthen Institutional Capacity of Public, Private and Civil Society Sectors, focusing on five key knowledge and capacity development areas:</p>

Strategic Action Lines/Actions – CCS (2011)	Strategic Action Lines/Actions – Action Plan (2012)
<ul style="list-style-type: none"> • support the development of institutional and technical capacity in borrowing countries through the promotion of policy and institutional frameworks that support all aspects of climate change mitigation and adaptation, with a balanced focus on both public and private sectors. Key areas of intervention include: <ul style="list-style-type: none"> ○ <i>Development and implementation of sub-national, national, sub-regional and regional climate change strategic action plans</i> ○ <i>Strengthening institutional capacity and supporting the development of policy and regulatory frameworks</i> ○ <i>Strengthening of national and sub-national authorities</i> ○ <i>Strengthening public and private companies</i> ○ <i>Support to national and local funding institutions, commercial banks, and other financial intermediaries to access and develop financial instruments</i> ○ <i>Strengthen civil society and academic/scientific sector participation and ownership of climate change-related decision making</i> 	<ul style="list-style-type: none"> • <i>Capacity to assess the consequences of climate change</i> and the costs and benefits of alternative adaptation measures, and to integrate and promote adaptation measures in specific programs, national regulations and planning • <i>Capacity to assess, monitor, report and verify potential GHG emissions reductions</i> to identify potential cost effectiveness and social and economic co-benefits, and to integrate and promote mitigation actions in specific programs, national regulations and planning • <i>Ability to capitalize upon opportunities for action relating to the international climate change framework</i> including support for effective participation of countries in the region in the UNFCCC, the design and implementation of mechanisms such as Nationally Appropriate Mitigation Actions (NAMAs) and National Adaptation Plans (NAPs), and the strengthening of national and sub-national planning and regulatory capacities • <i>Ability to promote Low Emissions and Resilient Development Strategies (LEDS)</i> through integration of national climate change strategies, reports (such as national communications, technology needs assessments (NTAs), GHG inventories and vulnerability assessments) into national development, sector and sub-national planning and reliable data gathering, processing and maintenance systems • <i>Ability to identify potential and future financial and investment flows from climate funds (from various sources including international public climate finance, carbon finance, national dedicated funds and initiatives, innovative financial instruments and fiscal and budgetary sources)</i> – support access by Bank clients of the financial requirements of climate funds and help them in the development of fiscal incentives and budgetary plans and support their absorptive capacity to channel funds and scale up private finance through the enhancement of the capacity of finance ministries and strengthen the role of national development banks and local financial institutions in channeling international climate finance
<p>Develop Instruments to Mainstream Climate Change in Bank-funded Operations:</p> <ul style="list-style-type: none"> • Seek that Bank activities support and promote currently available technological options and management practices that can help reduce climate impacts. • Promote sector-specific principles to meet climate mitigation objectives, such as: <ul style="list-style-type: none"> ○ In the case of <i>fossil fuel power generation projects</i>, be selective in regard to the type 	<p>Develop Instruments to Mainstream Climate Change in Bank-funded Operations, in the process giving priority to sectors and projects associated with comparatively large adaptation challenges and GHG emissions.</p> <p>Recognizing that the Bank has already developed a first group of guidelines and discussion papers that target GHG emission intensive sectors and provide assurance that improved technologies and management methods are applied in Bank financed operations (e.g., guidelines for</p>

Strategic Action Lines/Actions – CCS (2011)	Strategic Action Lines/Actions – Action Plan (2012)
<p>of technology proposed for funding, seeking to balance the environmental and economic benefits and achieve internationally recognized GHG emissions performance standards</p> <ul style="list-style-type: none"> ○ In the <i>industrial sector</i>, several options for mitigating industry-generated GHG emissions will be analyzed when selecting a project for Bank financing ○ In the <i>area of waste management</i>, fund solid waste and wastewater projects that consider proper gas control/ capture and combustion (for electricity or heat generation, when possible), emissions mitigation through waste minimization, re-use and recycling, and fuel efficient waste collection and transport ○ In the case of <i>agriculture, transport and dams projects</i> that generate direct and indirect land use change, that is, conversion of land with high carbon storage content, the Bank will take into account the projects' GHG emissions and environmental impacts for project preparation and design ○ To promote <i>sustainable transportation</i>, support the identification and financing of sustainable low-carbon transportation solutions for passengers and freight both in urban and rural settings <ul style="list-style-type: none"> • Develop sectorial technical notes containing orientation and best practices for the development of activities in GHG-intensive industries, where the Bank anticipates substantial work. It will also screen the projects it supports for energy efficiency opportunities early in the project cycle and offer assistance for energy audits, pilots and scale-ups, and energy management training • Develop criteria and indicators to track climate change mitigation and adaptation of its own investments and operations, in line with international best practices and in collaboration with other MDBs • Develop a GHG reporting mechanism to quantify and report on the carbon footprint of such operations • Ensure that investments in infrastructure (such as transport, water and energy) and other areas that may be sensitive to the impacts of climate change are designed to withstand those impacts • Develop the capacity to assess the vulnerability of the projects it finances to climate variability and change, including developing a better understanding of vulnerability assessment and risk management 	<p>sustainable energy, coal-fired power plants, cement manufacturing, and landfills, and a white paper on how to address the land use and land use change GHG emissions of agriculture and infrastructure projects); this activity will continue in additional sectors and additional activities are:</p> <ul style="list-style-type: none"> • <i>Supporting the development of the Bank's national and sub-regional sector notes on climate change</i> – based on the national climate change strategies, policies and reports (such as national communications, TNAs, GHG inventories, vulnerability assessments, NAMAs and NAPs) • <i>Capacity building activities to Bank staff</i> – building on current knowledge and training products, INE/CCS and KNL will consolidate and expand these products in the coming years, including general and thematic climate change courses (e.g., on the economics of climate, assessment of climate risks, GHG accounting, financial instruments and opportunities to mitigate climate change, etc.), knowledge platforms, and communities of practice • <i>Development of methodological approaches to assess and implement climate resilient alternatives and low-carbon options</i> –INE/CCS in collaboration with ESG and other Bank sectors will develop methodological tools to review investments in climate resilience and low-carbon growth, including best practices for the inclusion of climate change considerations into the design, construction and maintenance/operation of infrastructure; decision support planning methods and tools; approaches to assess vulnerability; screening tools to assist the identification of climate change adaptation and mitigation opportunities and requirements for accessing/blending Bank resources with other concessional climate finance resources • <i>Technical support to design, monitor, report and verify the GHG emission reductions and adaptation measures</i> – INE/CCS in collaboration with ESG and other Bank sectors will support the process of design, monitoring, reporting and verification of results achieved by adaptation/mitigation measures, including the design and implementation of activities under new mechanism being development under the international climate change framework such as NAMAs and NAPs • <i>Development of risk assessment and management instruments for climate change impacts</i> –INE, CMF and ESG in collaboration with other sectors will work on the development of new instruments and the adequacy of existing instruments for the consequences of climate change • <i>Accounting and reporting of GHG emissions from the Bank's operations</i> ESG and INE/CCS in collaboration with other sectors will continue their work in piloting accounting for GHG emissions and reporting and will

Strategic Action Lines/Actions – CCS (2011)	Strategic Action Lines/Actions – Action Plan (2012)
instruments available to improve climate resilience	<p>continue their proactive engagement with other MDBs , promoting the dialogue and exchange of improved practices for GHG accounting and reporting</p> <ul style="list-style-type: none"> • <i>Close follow-up of the international negotiations regarding climate change, including the UNFCCC process, ensuring that the Bank integrates important developments in its practices –INE/CSS in close collaboration with ORP and Bank operational departments will continue coordinating the participation of the Bank in relevant international climate forums and further promote the Bank’s visibility and positioning</i> • <i>Tracking system – INE/CSS and SPD, in collaboration with ESG and other Bank sectors, will complete the development and adoption of a tracking system to account for adaptation and mitigation related investments and assess their impact on reducing vulnerability and GHG emissions, in articulation with other MDB efforts</i>
<p>Expand Lending and Technical Assistance in Key Sectors:</p> <ul style="list-style-type: none"> • Direct financial resources for lending and technical assistance activities to reduce climate change impacts and vulnerability of both natural and human systems, and will help governments and the private sector advance the necessary policies and programs while taking advantage of technological and economic opportunities to improve sustainability -- Focus on key sectors or areas of intervention to direct financial and technical support in the region • <i>A first set of sectors or areas of intervention</i> focuses on activities recognized as key drivers of the climate policy agenda, and for which significant technical and financial resources are required; <ul style="list-style-type: none"> ○ <i>results</i> the Bank seeks to achieve in those sectors include: decrease in land use change of pristine or high ecosystem service value landscapes and deforestation which is the largest contributor of GHG emissions in the region; increase and improvement in hydrologic resource protection and water resource management, a highly-vulnerable sector to climate change impacts; and promotion of sustainable agriculture, including security of land tenure and sustainable management of natural resources that translates into increased rural productivity and enhanced livelihood of rural populations • <i>A second set of sectors or areas of intervention</i> focuses on <i>key physical infrastructure</i> that the Bank has financed extensively throughout the region, but which require a shift towards more environmentally 	<p>Expanding Lending and Technical Assistance in Key Sectors:</p> <p>Increasing client demand for more climate-friendly investments can be partially supported through existing funding sources and investments and/or through innovative financial instruments, more specifically:</p> <ul style="list-style-type: none"> • <i>Use of conventional or “traditional” Bank instruments applied to climate change:</i> <ul style="list-style-type: none"> ○ Technical cooperation activities to provide funding for the analytical underpinnings that inform government strategies and integrate in their planning adaptation and mitigation, and identify potential for low-carbon and resilient investments, including those supported by Bank operations ○ Investment loans to provide funding for piloting technologies and programs (such as NAPs and NAMAs), facilitating the flow of investment to higher-risk sectors and countries and supporting financial institutions in their climate-specific funding and operational activities ○ Policy-based loans to assist in macroeconomic and sector policy reforms and institutional changes required to ensure the development of regulatory frameworks that provide for necessary incentives to integrate climate change in national development planning and to promote investments in low-carbon resilient activities ○ Disaster reconstruction loans to address effects of climate change-related disasters to protect funding from social programs to

Strategic Action Lines/Actions – CCS (2011)	Strategic Action Lines/Actions – Action Plan (2012)
<p>sustainable and climate-friendly solutions. The shift towards more environmentally sustainable and climate-friendly programs and technologies (ecosystem-based approaches) demands a much stronger engagement of the Bank.</p> <ul style="list-style-type: none"> ○ In the <i>energy</i> sector, the region has a strong potential for renewable energy and energy efficiency, but requires additional support for carrying out the necessary investments, both technical and financial, as well as attention to environmental impacts. ○ In the <i>transport</i> sector, the shift to more sustainable solutions in public transportation system also requires a large influx of technical and financial resources that governments cannot mobilize on their own. ○ With <i>sanitation infrastructure</i>, large opportunities for emission reductions will be pursued by targeting investments in infrastructure, mainly in waste collection, treatment and recycling. <p>LAC is an eminently urban region, therefore the Bank will adopt an <i>integrated urban sustainability program</i> to assist city governments and stakeholders' efforts to articulate the full range of sector priorities into coherent urban policies and programs, with the explicit goal of reducing GHG emissions, build climate resilience and improve the environmental sustainability of urban operations.</p> <p>See also CCS Priority Sectors matrix for a more detailed list of committed Bank actions by priority sector or thematic area</p>	<p>include long term adaptation activities</p> <ul style="list-style-type: none"> • <i>Development of Bank innovative financial instruments for climate change</i> – work is underway to develop a range of innovative solutions to integrate climate change risks when structuring investments, to leverage carbon finance and to unlock low-carbon private sector investments, including frontloading mechanisms that turn anticipated carbon revenues into upfront finance, risk mitigation tools that enhance the confidence of financiers in the value and predictability of emission reduction flows, revolving funds where accruing revenues can support a next tranche of investments, and structured finance with innovative use and combination of instruments, each addressing specific barriers and needs; in this context, the Bank will seek to develop the following climate finance instruments and mechanisms; <ul style="list-style-type: none"> ○ Grant facilities and concessional lending instruments for climate change adaptation and mitigation support, as a way to reduce barriers to and buy down the cost of climate investments ○ Climate-specific risk management instruments such as weather risk insurance to transfer risk and provide emergency liquidity ○ Carbon funds and asset development facilities that could be used to guarantee or service investment loans ○ Other results-based payment schemes for environmental services ○ Targeted funding instruments to mobilize resources for climate investment ○ Seed funds for establishment of national climate change funds, in particular adaptation funds for small countries, and ○ Venture capital and equity instruments used buy MIF
<p>Scale-up Investments, Address Financial Gaps and Leverage Private Sector Investments:</p> <ul style="list-style-type: none"> • Develop the necessary mechanisms for scaling up low-carbon and climate resilient investments, drawing upon the full range of existing instruments including loans, grants, guarantees, investment grants, technical cooperation activities but also assessing the feasibility of carbon finance, and green programmatic lines- adapted to each sector- and country-specific gap analyses and tailored to client needs • Maximize the use of international resources, particularly grant and concessional loans from the CIF, GEF, Adaptation Fund, as well as instruments under the Kyoto Protocol (including CDM) and new UNFCCC mechanisms originating from COP16 in 	<p>Scaled-up Investments and Leverage of Private Sector Investments</p> <p>This goal will be achieved through:</p> <ul style="list-style-type: none"> • <i>Promote access to and blending of international climate finance with Bank operations</i> -- donor funding for adaptation and mitigation is available through over 25 new international climate-specific instruments and another 20-30 funds supporting activities that may result in climate change adaptation and/or mitigation, which, in the form of grants or concessional loans, provide opportunities for developing innovative investments, and for covering risks that traditional lending may not provide; due to the different eligibility criteria, targeting and implementation rules, bank clients require orientation and guidance in the use of these funds. This will

Strategic Action Lines/Actions – CCS (2011)	Strategic Action Lines/Actions – Action Plan (2012)
<p>Cancun and COP17 in Durban, to pilot and scale-up financial instruments in new climate-related areas such as energy efficiency, renewable energy, carbon markets, and insurance</p> <ul style="list-style-type: none"> • Seek to expand access to REDD and climate adaptation finance as these resources become available; assist countries to identify and access additional international funds for climate financing; and collaborate with other MDBs to play a catalytic role and leverage additional resources • Continue to gain a better understanding of climate-associated risks for project finance, how to manage them, and review risk analysis of the portfolio to include projections of future climate conditions beyond historical patterns • Increase use of current private sector instruments, including credit guarantees, corporate and project finance, direct and syndicated loans, co-financing, green financing facilities, equity and investment funds to promote private investment in low-carbon and climate resilient activities. • Introduce new types of risk sharing, national and sub-national public private partnerships, hybrid instruments and other innovations will to foster low-carbon development 	<p>require stronger Bank involvement in:</p> <ul style="list-style-type: none"> ○ The development of a coherent internal framework, consisting of guidelines, criteria and institutional coordination to promote access to and use by Bank clients of various international climate resources ○ The design of the emerging international climate finance architecture (Green Climate Fund) in the extension of the Climate Investment Funds (CIF), and in new partnerships to leverage bilateral “fast track” climate funds for the region ○ The identification of and access to bilateral and multi-donor climate finance “fast track” programs in the region for implementation by the Bank ○ The assessment of opportunities to identify funding resources for adaptation under any financing instruments, and ○ Innovation, through expert advice and pilot programs for carbon markets, to turn future carbon offset flows into finance, and regional harmonization of rules across regimes to promote liquidity and efficiency <ul style="list-style-type: none"> • <i>Strengthen the engagement of the region’s private sector in the climate agenda and scale up its investments</i> – continue to provide financial and technical support to private sector projects, directly or through local financial institutions, to meet the needs of climate investments. In particular, through finance from its private sector window and support to appropriate national regulatory enabling environments for investments, the Bank will: <ul style="list-style-type: none"> ○ Support efforts to attract private investment into adaptation and mitigation ○ Provide large-scale financing to climate investments in areas such as renewable energy, energy efficiency and equipment manufacturing ○ Develop and help to implement Green Credit Lines in financial institutions in the region ○ Provide support (e.g., grants) to programs that seek to develop carbon value in MSMEs and leverage the natural capital of its target beneficiaries, and ○ Promote equity investments that leverage resources from other actors seeking to work on climate-related areas such as private foundations and private sector corporations

ANNEX C. PORTFOLIO ANALYSIS

The portfolio analysis presented in this annex is based on the database provided by CCS (June 2012). The database includes information about all the projects approved between January 2006 and June 2012, and the pipeline for the rest of 2012 and for 2013 (as of June 2012). In addition of the administrative information for each project (approval year, instrument type and subtype, sector, amount, etc.), the CCS database assess whether the operation is under the lending objective of (i) adaptation, (ii) mitigation, (iii) sustainable energy, and/or (iv) environmental sustainability.⁵¹ The criterion is based on the amount approved for activities/components related to the different lending objectives: operation should have more than 50% of the activities (amount) approved related to any of the four lending objectives to be classified under the CCS portfolio.⁵² The database also presents a reclassification of the projects, according to these categories: Hydropower, Energy other, Urban development, Biodiversity, Waste, Watershed Management, Agriculture, Forestry, Energy Efficiency, Climate Change General, Other, Transport and Renewable Energy.⁵³

In January 2012, SPD approved the Guidelines for classifying lending program priorities (GN-2650), based on the definitions established in the report on the IDB-9, in order to allow for consistent classification of operations under one or more lending program priorities: (i) lending to small and vulnerable countries; (ii) lending for poverty reduction and equity enhancement; (iii) lending to support climate change initiatives, sustainable energy and environmental sustainability; and (iv) lending to support regional cooperation and integration. Regarding the priority to support climate change initiatives, sustainable energy and environmental sustainability, the lending program priority indicator will be assessed based on the automatic (A) or conditional (C) criteria. Some subsectors⁵⁴ will automatically classify under the lending target to support climate change initiatives, sustainable energy and environmental sustainability, while others could be under this lending target, conditioned to the outputs or outcomes described in the project results matrix. These guidelines are very broad and could generate some intricate discussions about the suitability of the lending program classification for some projects/sectors. As an example, all the projects under the Water and Sanitation Sector (AS) are assessed as

⁵¹ One operation could be under one or more lending category. The database also presents a column for projects in the water sector, but its implementation is in progress.

⁵² CCS is developing a methodology to analyze the percentage of each project that goes to mitigation activities

⁵³ OVE has redefined the category “other” to difference projects in water supply, water and sanitation and waste.

⁵⁴ Subsectors: water supply urban, peri-urban and rural, urban drainage, integral management of water resources, sanitation urban, peri-urban and rural, solid waste, solid waste social projects, sustainable cities, bio-energy, energy efficiency and renewable energy in end use, rural electrification, new hydropower, energy capacity building, energy rehabilitation and efficiency, low-carbon technologies, land management, agricultural technology adoption, financing for environmental sustainability, climate change adaptation and mitigation policy, environmental management and governance, biodiversity and protected areas conservation, coastal zone management, integrated disaster risk management, climate change financing, forest resources management, railways, logistics planning, urban logistics, demand for management and control of urban transport system, public transport and non-motorized urban transport (GN-2650).

category A (automatically under the lending target to support climate change initiatives, sustainable energy and environmental sustainability), but the complexity of the sector and the variety of the projects would suggest a revision in depth about the criteria.

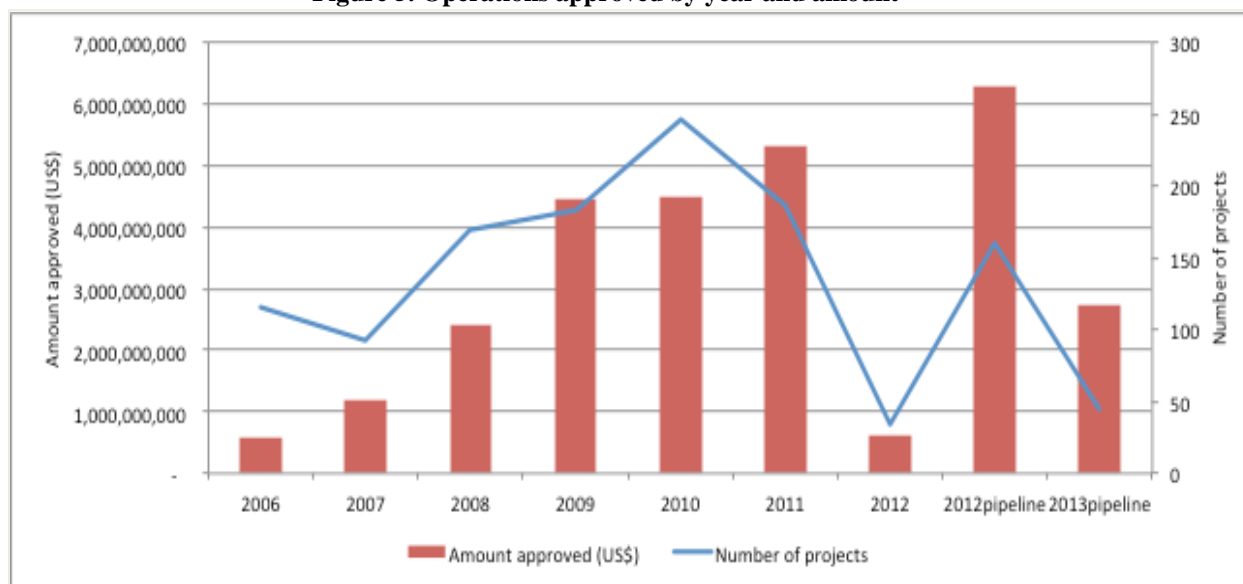
1. General analysis

Table 5. Operations approved by year and amount

Year	Number of operations	Amount (US\$)
2006	115	581,037,764
2007	93	1,201,623,350
2008	169	2,401,736,685
2009	183	4,440,730,290
2010	246	4,476,636,722
2011	187	5,326,870,971
2012	34	611,260,713
2012 pipeline	160	6,276,954,908
2013 pipeline	45	2,716,597,715
Total	1,232	28,033,449,118

Source: OVE, 2012

Figure 5. Operations approved by year and amount



Source: OVE, 2012

2. Sector analysis

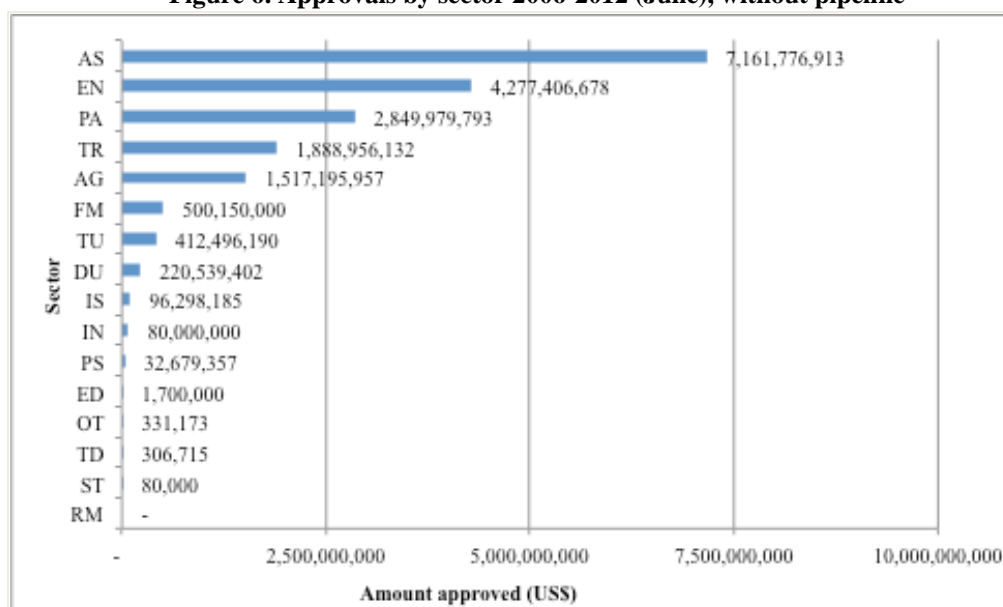
Table 6. Approvals by sector 2006-2012 (June), without pipeline

Sector	Number	Amount (US\$)	% number/total	% amount/total
RM	0	-	0.00%	0.00%
ST	1	80,000	0.00%	0.10%
TD	2	306,715	0.00%	0.19%
OT	1	331,173	0.00%	0.10%
ED	2	1,700,000	0.01%	0.19%
PS	39	32,679,357	0.17%	3.80%
IN	3	80,000,000	0.42%	0.29%
IS	11	96,298,185	0.51%	1.07%
DU	10	220,539,402	1.16%	0.97%
TU	39	412,496,190	2.17%	3.80%
FM	16	500,150,000	2.63%	1.56%
AG	71	1,517,195,957	7.97%	6.91%
TR	70	1,888,956,132	9.92%	6.82%
PA	251	2,849,979,793	14.97%	24.44%
EN	236	4,277,406,678	22.47%	22.98%
AS	275	7,161,776,913	37.61%	26.78%
Total	1027	19,039,896,495	100.00%	100.00%

Note: AG - Agriculture and Rural Development, AS - Water and sanitation, DU - Urban Development and Housing, ED - Education, EN - Energy, FM - Financial Markets, IN - Industry, IS - Social Investment, OT - Other, PA - Environment and Natural Disasters, PS - Private firms and SME Development, RM - Reform/Modernization of the State, ST - Science and Technology, TD - Trade, TR - Transport, TU - Sustainable Tourism

Source: OVE, 2012

Figure 6. Approvals by sector 2006-2012 (June), without pipeline



Note: Same as Table 9. Source: OVE, 2012

Five sectors approved operations for more than US\$1,000 million during the period 2006-2012 (June): Agriculture and Rural Development (AG), Transport (TR), Energy (EN), Water and

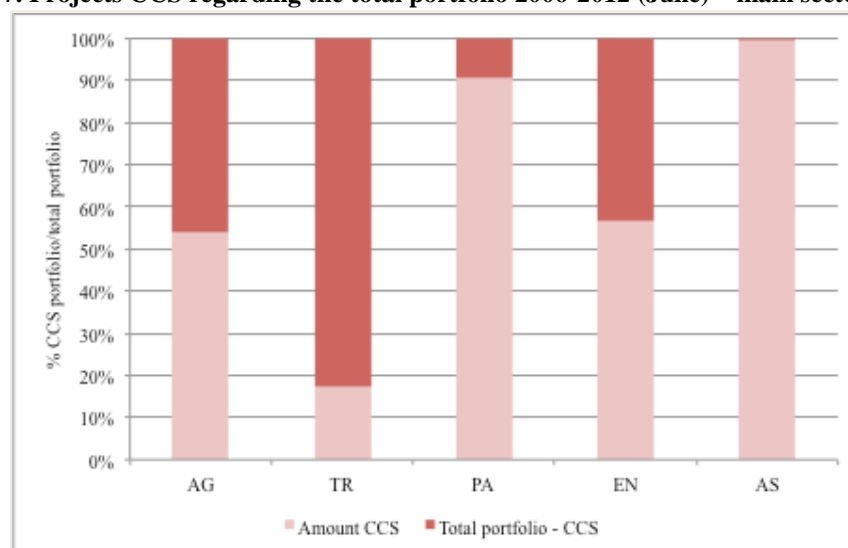
Sanitation (AS) and Environment and Natural Disasters (PA). These five sectors constitute the 92.94% of the CCS portfolio in amount and 87.93% in number of projects (without pipeline). Compared with the total portfolio 2006-2012 (June) for each sector, water projects in CCS represents almost 100% of the projects in this sector during the period, followed by Environment and Natural Disasters Sector (90.7%), Energy sector (56.51%), Agriculture and Rural Development Sector (53.85%) and Transport (17.45%).

Table 7. Projects CCS regarding the total portfolio 2006-2012 (June) – main sectors

	Total portfolio - number	Total portfolio amount	CCS - portfolio	CCS - amount	% Total CCS Amount	% CCS/Total portfolio
AG	244	2,817,539,345	71	1,517,195,957	7.97%	53.85%
TR	263	10,825,521,079	70	1,888,956,132	9.92%	17.45%
PA	325	3,141,736,398	251	2,849,979,793	14.97%	90.71%
EN	325	7,569,270,368	236	4,277,406,678	22.47%	56.51%
AS	280	7,207,076,913	275	7,161,776,913	37.61%	99.37%

Source: OVE, 2012

Figure 7. Projects CCS regarding the total portfolio 2006-2012 (June) – main sectors



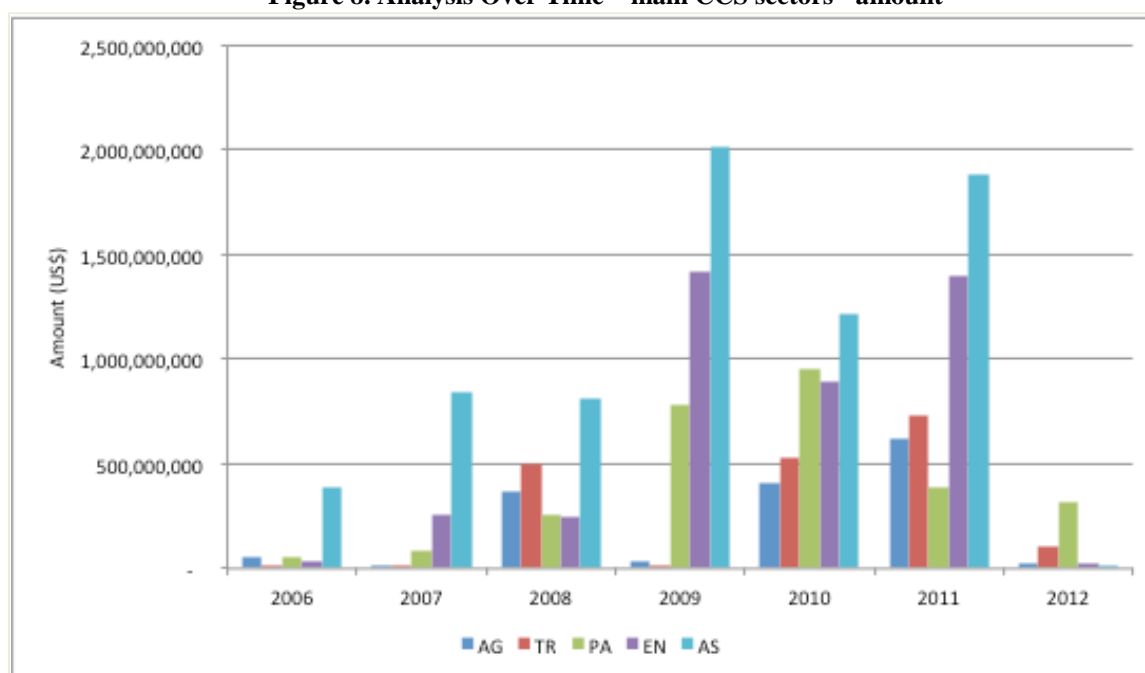
Source: OVE, 2012

Table 8. Analysis Over Time – main CCS sectors

Year	AG		TR		PA		EN		AS	
	#	Amount (US\$)	#	Amount (US\$)	#	Amount (US\$)	#	Amount (US\$)	#	Amount (US\$)
2006	12	50,988,126	3	1,284,958	31	56,990,764	17	35,168,286	33	383,946,198
2007	5	1,417,916	3	1,575,175	26	86,225,983	17	254,514,592	27	847,881,731
2008	17	371,500,688	13	504,553,837	41	261,225,732	48	251,465,465	31	808,680,311
2009	11	34,048,000	11	15,199,055	37	786,657,524	50	1,423,994,480	54	2,010,500,639
2010	11	409,131,622	25	531,438,109	60	954,308,427	46	892,491,521	78	1,221,700,000
2011	13	622,749,605	14	729,905,000	45	391,357,338	53	1,393,910,635	40	1,879,953,545
2012	2	27,360,000	1	105,000,000	11	313,214,025	5	25,861,699	12	9,114,489

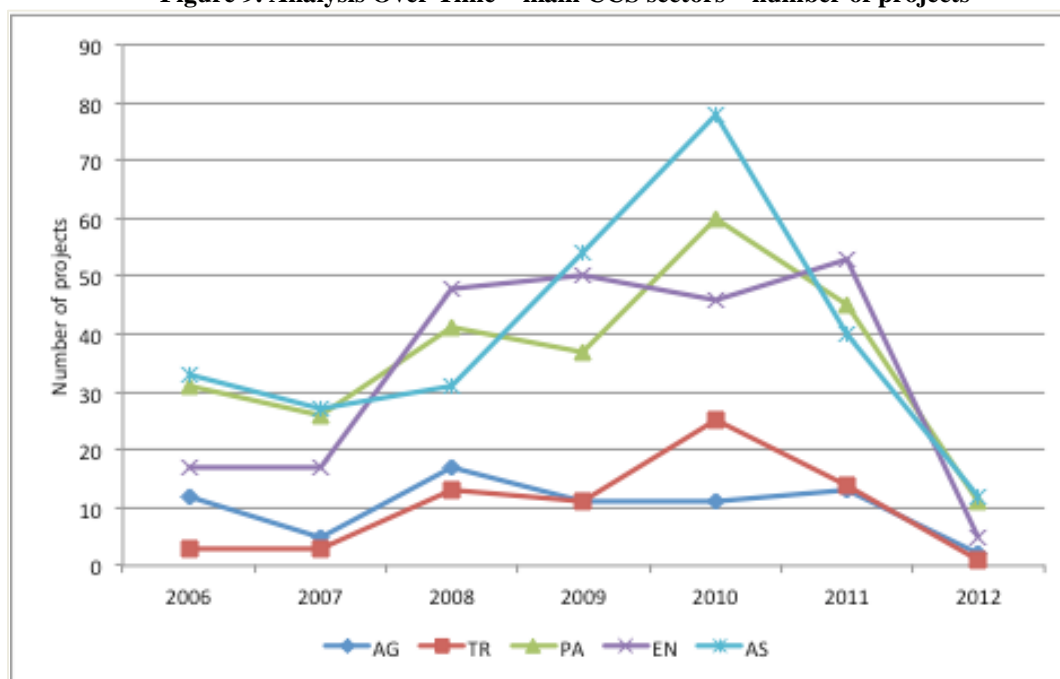
Source: OVE, 2012

Figure 8. Analysis Over Time – main CCS sectors - amount



Source: OVE, 2012

Figure 9. Analysis Over Time – main CCS sectors – number of projects



Source: OVE, 2012

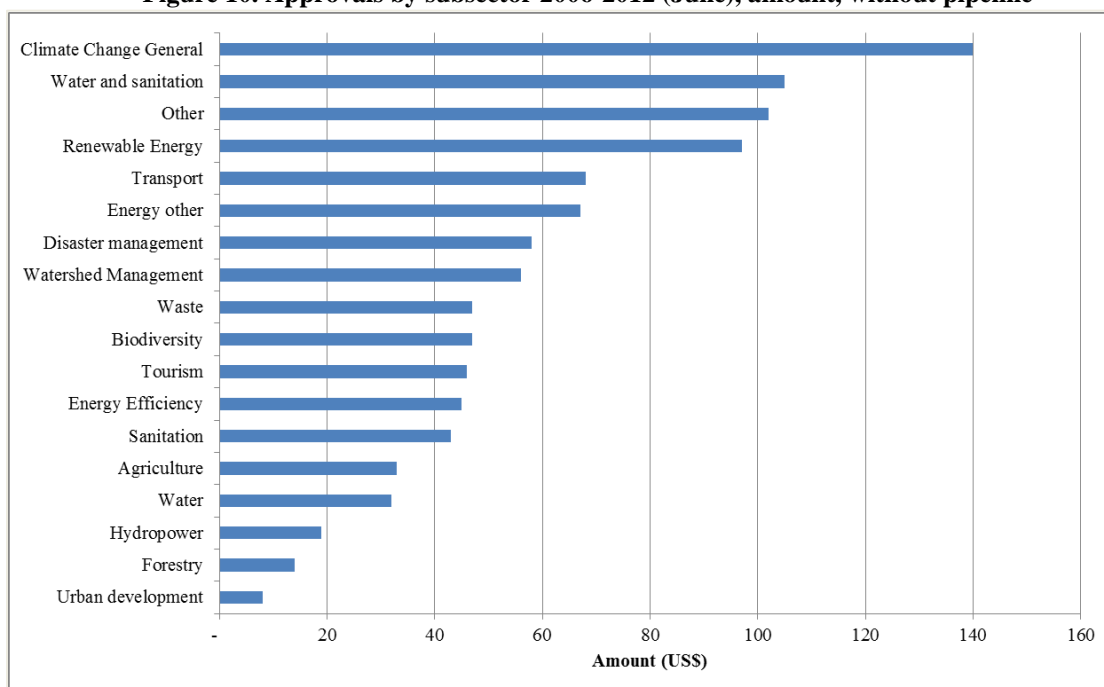
3. CC Portfolio – by subsector

Table 9. Approvals by subsector 2006-2012 (June), amount, without pipeline

Subsector	Number	Amount (US\$)
Forestry	8	54,794,161
Urban development	14	111,753,687
Disaster management	19	243,442,787
Waste	32	255,651,736
Biodiversity	33	256,621,609
Tourism	43	435,769,310
Watershed Management	47	504,665,523
Water	46	820,947,814
Agriculture	47	1,092,243,502
Hydropower	56	1,101,469,793
Energy Efficiency	45	1,119,082,860
Renewable Energy	58	1,142,428,656
Energy other	68	1,185,716,920
Other	67	1,854,784,953
Transport	102	1,917,880,150
Sanitation	105	1,955,983,472
Climate Change General	97	2,323,632,660
Water and sanitation	140	2,663,026,902
Grand Total	1,027	19,039,896,496

Source: OVE, 2012

Figure 10. Approvals by subsector 2006-2012 (June), amount, without pipeline



Source: OVE, 2012

4. CC Portfolio – by instrument

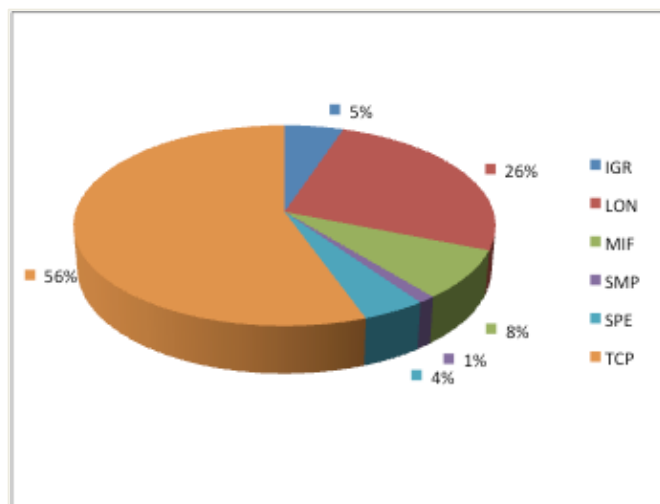
Table 10. Type of instruments

Type	Number	Amount (US\$)
IGR	53	607,929,030
LON	266	18,047,363,780
MIF	82	74,072,802
SMP	12	4,098,339
SPE	44	42,405,252
TCP	570	264,027,292
Total	1027	19,039,896,495

Note: IGR - Cofinance, LON – Loan, MIF – Multilateral Investment Fund, SMP – Small Project, SPE – Special Project, TCP – Technical Cooperation

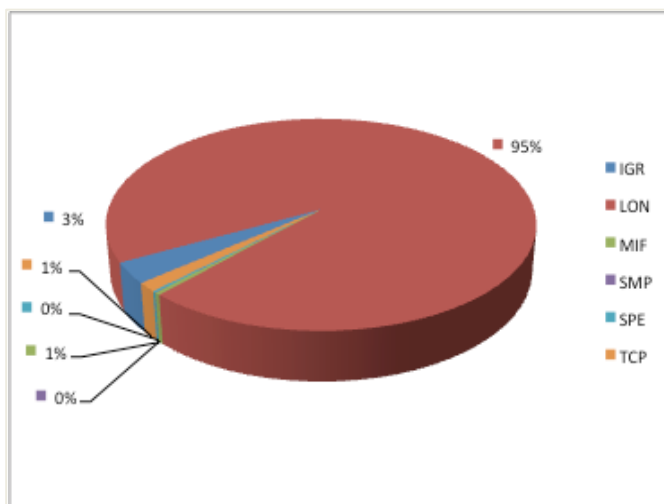
Source: OVE, 2012

Figure 11. Type of instrument – number of projects



Source: OVE, 2012

Figure 12. Type of instruments – amount (US\$)



Source: OVE, 2012

5. CC Portfolio – by origin of lending

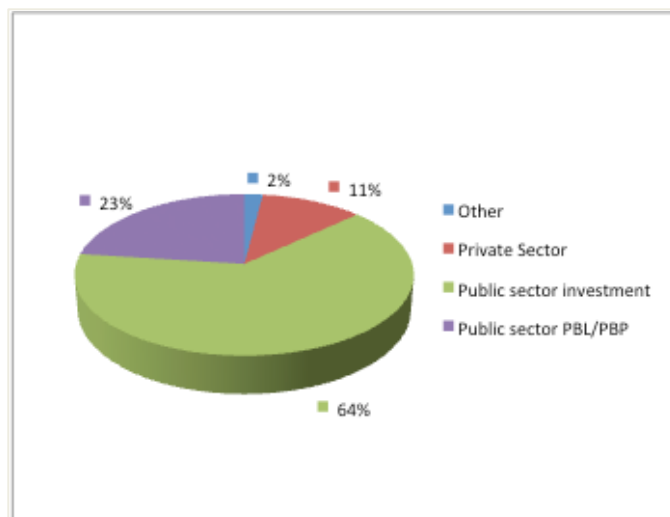
Table 11. CCS Portfolio – by origin of lending

	Number	Amount
Private Sector	46	2,107,856,315
Public sector investment	235	12,177,436,495
Public sector PBL/PBP	38	4,370,000,000
Other ¹	708	384,603,685
Total	1027	19,039,896,495

¹ Other includes: TCP (Technical cooperation), SPE (Special projects), SMP (Small projects) and MIF (Multilateral Investment Fund)

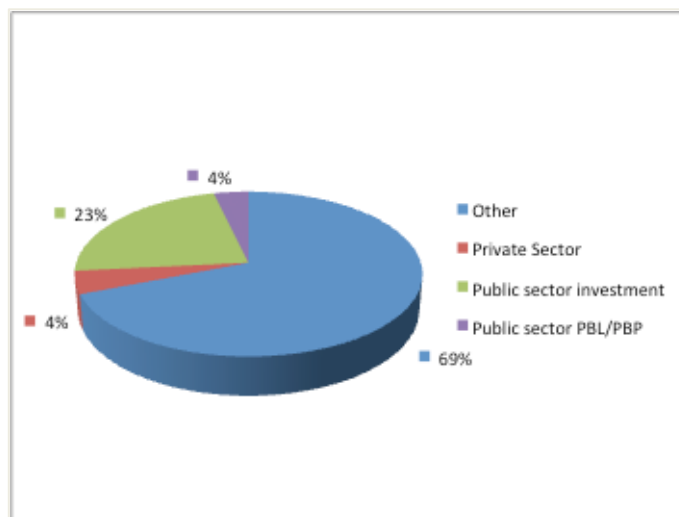
Source: OVE, 2012

Figure 13. CCS Portfolio – by origin of lending – amount (US\$)



Source: OVE, 2012

Figure 14. CCS Portfolio – by origin of lending - number



Source: OVE, 2012

6. CC Portfolio – by objective

The Bank's Results Framework for 2012-2015 included a specific target of 25% of its total commitments by the end of 2015 for "lending to support climate change initiatives – adaptation and mitigation -, sustainable energy and environmental sustainability. CCS has classified projects in the portfolio (2006-2012) according to these objectives. One project could be part of one or more objectives, depending on its components and budget associated. For example, as the next table describes, 40.6% of the projects have mitigation as an objective, but some of these could have also Adaptation, Sustainable Energy and/or Environmental Sustainability as an objective.

Table 12. Analysis by objective

	Number	Amount (US\$)	% total (number)	% total (amount)
Mitigation	417	8,527,224,348	40.60%	44.79%
Adaptation	94	2,283,763,747	9.15%	11.99%
Sustainable Energy	309	6,574,244,172	30.09%	34.53%
Environmental sustainability	485	8,341,504,282	47.22%	43.81%

Source: OVE, 2012

7. CC Portfolio – pipeline

The database includes the pipeline defined for 2012 and 2013 as June 30, 2012. There are 205 projects in the pipeline, with a provisional amount of US\$8,993,825,623.

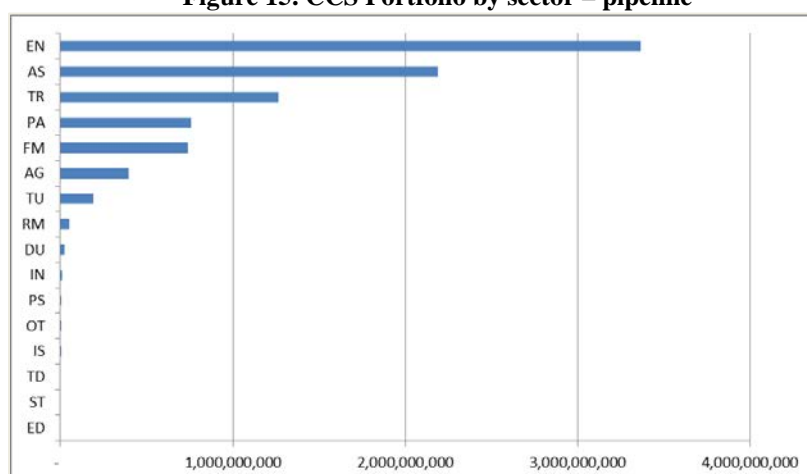
Table 13. CCS Portfolio by sector – pipeline

Sector	CCS - number Pipeline	CCS – amount (US\$) Pipeline
ED	0	-
ST	0	-
TD	0	-
IS	1	350,000
OT	2	1,920,000
PS	4	5,999,800
IN	2	7,500,000
DU	4	21,325,000
RM	1	50,000,000
TU	8	189,485,000
AG	14	397,608,000
FM	14	737,375,680
PA	40	758,668,979
TR	13	1,266,600,000
AS	35	2,190,540,000
EN	67	3,366,453,164
Total	205	8,993,825,623

Note: AG - Agriculture and Rural Development, AS - Water and sanitation, DU - Urban Development and Housing, ED – Education, EN – Energy, FM - Financial Markets, IN – Industry, IS - Social Investment, OT - Other, PA - Environment and Natural Disasters, PS - Private firms and SME Development, RM - Reform/Modernization of the State, ST – Science and Technology, TD – Trade, TR – Transport, TU - Sustainable Tourism

Source: OVE, 2012

Figure 15. CCS Portfolio by sector – pipeline



Note: Same as Table 16

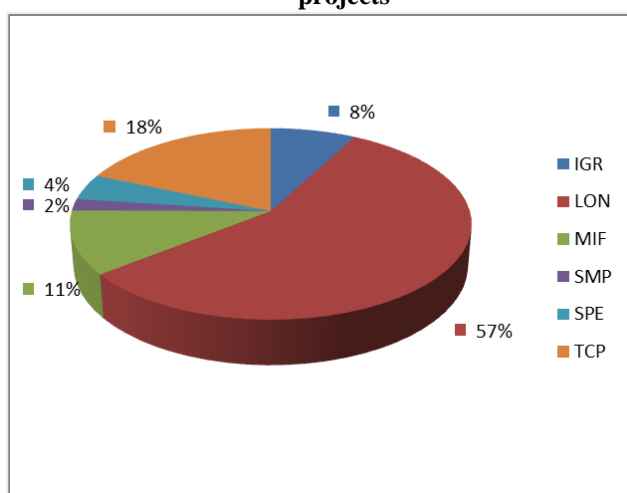
Source: OVE, 2012

Table 14. Type of instrument - pipeline

Type	Number	Amount (US\$)
IGR	16	134,742,473
LON	116	8,357,850,000
MIF	22	21,269,955
SMP	4	2,080,000
SPE	9	455,031,515
TCP	38	22,578,680
Total	205	8,993,552,623

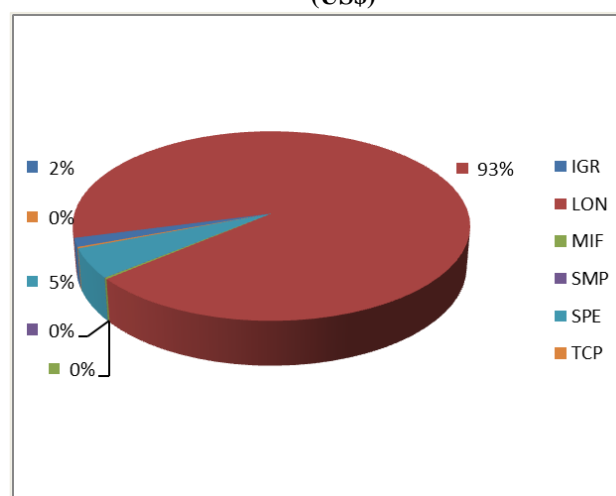
Note: IGR - Cofinance , LON – Loan, MIF – Multilateral Investment Fund, SMP – Small Project, SPE – Special Project, TCP – Technical Cooperation
Source: OVE, 2012

Figure 16. Type of instrument – pipeline - number of projects



Source: OVE, 2012

Figure 17. Type of instruments – pipeline - amount (US\$)



Source: OVE, 2012

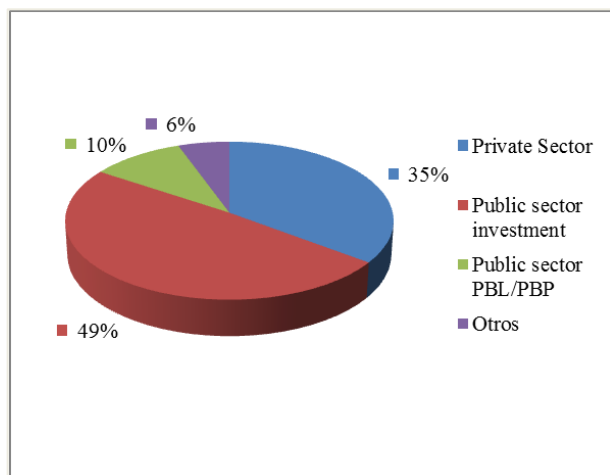
Table 15. CCS Portfolio – by origin of lending - pipeline

	Number	Amount
Private Sector	31	3,166,900,000
Public sector investment	85	4,413,492,473
Public sector PBL/PBP	16	912,200,000
Other ¹	73	500,960,150
Total	205	8,993,552,623

¹ Other includes: TCP (Technical cooperation), SPE (Special projects), SMP (Small projects) and MIF (Multilateral Investment Fund)

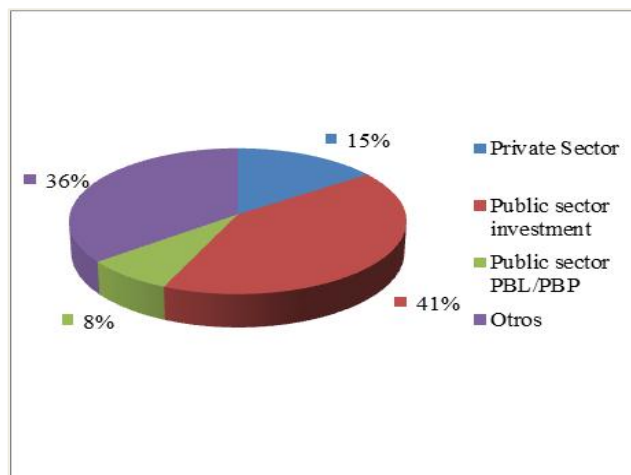
Source: OVE, 2012

**Figure 18. CCS Portfolio pipeline – by origin of lending
– amount (US\$)**



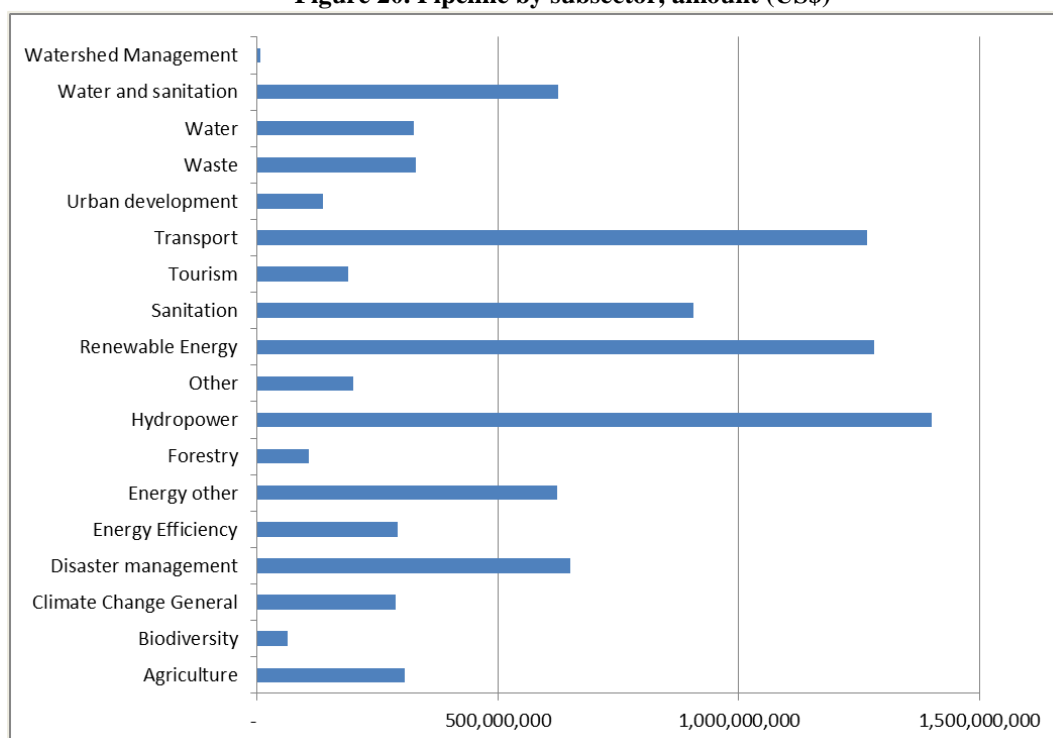
Source: OVE, 2012

**Figure 19. CCS Portfolio pipeline – by origin of lending
- number**



Source: OVE, 2012

Figure 20. Pipeline by subsector, amount (US\$)



Source: OVE, 2012

Management Comments

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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**Mid-Term Evaluation of IDB-9 Commitments
Background Paper: IDB Integrated Strategy for Climate Change Adaptation and
Mitigation, and Sustainable and Renewable Energy
Management Comments**

Mid-Term Evaluation of IDB-9 Commitments
Background Paper: IDB Integrated Strategy for Climate Change Adaptation and
Mitigation, and Sustainable and Renewable Energy
Management Comments

I. INTRODUCTION

- 1.1 Management welcomes this background paper and thanks the Office of Evaluation and Oversight's (OVE) for the constructive dialogue with Management and staff during its preparation. This paper will contribute to the Bank's efforts to more effectively carry out its climate change strategy and action plans including its mainstreaming climate change issues into the Bank's operations.
- 1.2 Management provided detailed comments to OVE on an earlier draft and is pleased to see that many of its suggestions were incorporated in the final version of this paper.

II. OVERALL FINDINGS AND SUGGESTIONS

- 2.1 The background paper provides a good assessment of the accomplishments and possible areas of improvements of the Bank's work on climate change and sustainable and renewable energy. Management broadly agrees with the paper's findings and conclusions and welcomes the finding that IDB is on the right path towards fulfilling the formal requirement to increase its lending portfolio in climate change and sustainable energy. We also appreciate OVE's observation about the need to expand dissemination efforts to ensure country and sector managers, as well as staff, across the Bank, are aware of and are trained on the content of the Strategy and Action Plan.
- 2.2 While we recognize the overall quality of the review, we would like to point out a few issues that we believe could have been better addressed in the paper, such as, the actual contribution of the Strategy to the GCI-9 mandate, and the complexities of evaluating the effectiveness of some of the instruments used by the Bank to finance climate change interventions, namely policy-based loans (PBLs). In this regard, while PBLs fall clearly under the lending category, such lending may not necessarily translate into equivalent investments in climate change mitigation and/or adaptation actions.
- 2.3 Management notes that the IDB-9 mandate to develop this Strategy came soon after the approval of the IDB's Sustainable Energy and Climate Change Initiative (SECCI). The Strategy naturally draws heavily on the SECCI Initiative. OVE's paper tries to disentangle the impact of the Strategy from that of the SECCI Initiative, a task that is and will continue to be difficult. But this difficulty of attribution points to the Bank's continuous commitment to increasing the volume and quality of its work on climate change and sustainable energy.

III. LOOKING FORWARD

- 3.1 Much of the IDB's work to implement the Strategy has already begun. The Climate Change Inter-Departmental Group was established during 2012 to oversee the

implementation of the Bank's Climate Change Strategy Action Plan and its reporting mechanisms. New specialized studies on Greenhouse Gas (GHG) emissions or vulnerability assessments that can serve country-level diagnosis are being carried in Brazil, Trinidad and Tobago and Mexico. Both are examples of actions that are consistent with OVE's suggestions.

- 3.2 As to the recommendations regarding the scope of the Strategy in OVE's Overview Report, this matter is taken up in the Management response to that document.