

NDC INVEST ANNUAL OVERVIEW 2020

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NDC INVEST – 2020 OVERVIEW

NDC INVEST INITIATIVES

COUNTRY	IDB	IDB Invest	IDB LAB
Argentina	1	2	7
Bahamas	4	0	0
Barbados	7	1	6
Belize	4	0	1
Bolivia	2	1	1
Brazil	14	3	8
Chile	6	2	7
Colombia	29	1	2
Costa Rica	6	2	0
Dominican Republic	3	0	2
Ecuador	4	2	6
El Salvador	7	0	0
Guatemala	8	0	1
Guyana	1	1	1
Haiti	2	1	0
Honduras	6	1	3
Jamaica	2	0	5
Mexico	9	2	7
Nicaragua	1	0	4
Panama	9	2	0
Paraguay	8	0	4
Peru	10	1	0
Suriname	4	0	0
Trinidad y Tobago	3	1	1
Uruguay	1	2	1

NDC INVEST IS LARGER THAN EVER. Our platform is a point of reference on how to successfully translate national climate commitments into tangible and beneficial economic plans and transformational development projects.



COUNTRIES



INITIATIVES



REGIONAL INITIATIVES



TOTAL NUMBER OF INITIATIVES



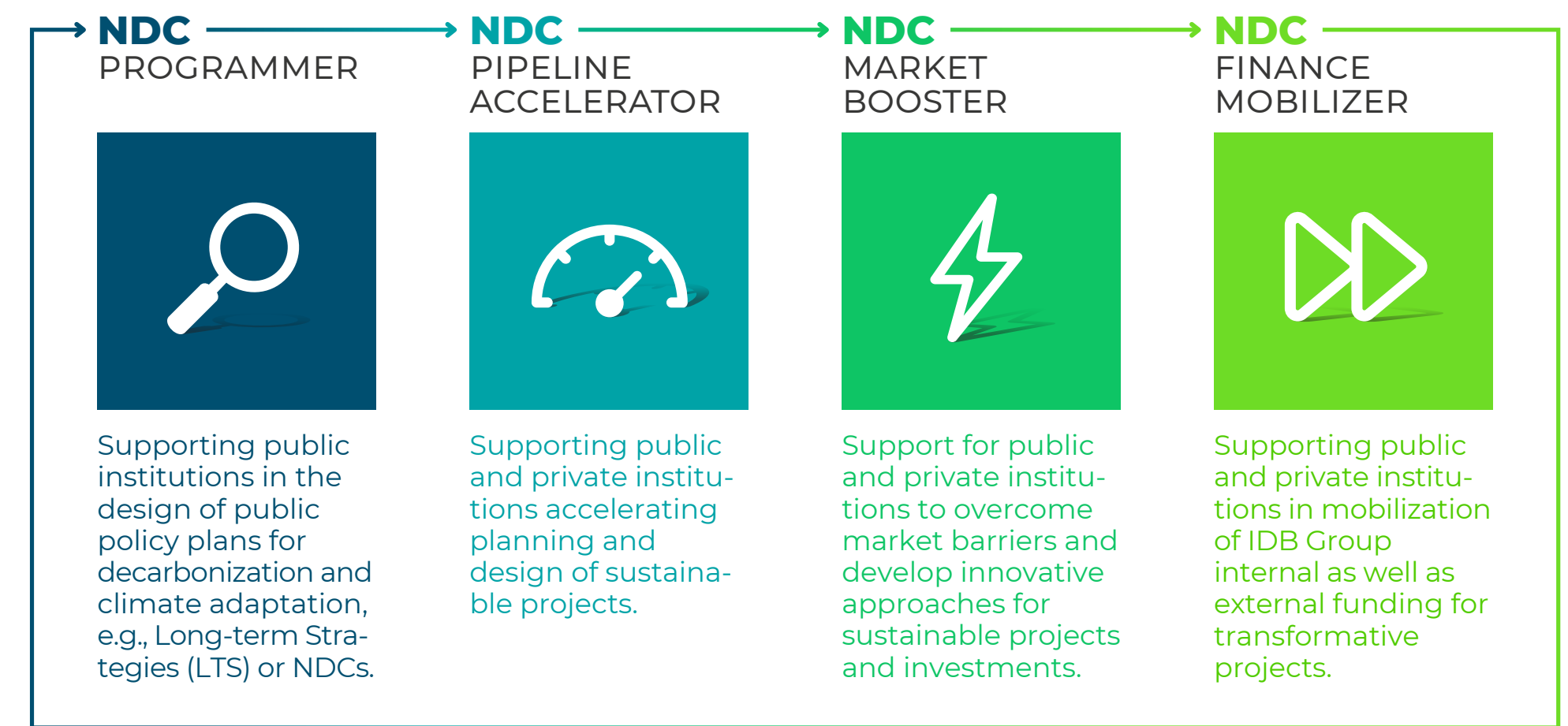
INTRODUCTION AND OVERVIEW: NDC INVEST

The year 2020 has forced countries all over the globe to face the unprecedented challenge of the Covid-19 pandemic. In the Latin America and the Caribbean region (LAC), governments are taking action to meet the needs of their citizens and ensure a rapid economic recovery. **The Inter-American Development Bank Group (IDB Group)** has been agile to respond to governments' needs in the region.

The **IDB Group** is providing financial and non-financial solutions needed to ensure an inclusive growth and sustainable recovery, as established in our Vision 2025, to respond to the challenges the region will face in the years to come. One of our key instruments to address those challenges is the **Climate Change Action Plan 2021-2025**. The **CCAP 2021-2025** establishes clear lines to deliver bold climate results, both internally as well as with our partners. Internally, it allows for an alignment of the **IDB Group** institutional goals with an ever more important climate change agenda. In the region, it provides a guiding framework for countries and clients to achieve zero-carbon and climate-resilient development.

Through **NDC INVEST**, the **IDB Group** is in a unique position to be at the forefront of the post-pandemic green recovery. **NDC INVEST** is the one-stop-shop of the **IDB Group** providing technical and financial support for countries in Latin American and Caribbean in their

efforts to achieve the climate objectives under the Paris Agreement. **NDC INVEST** actively enables a **transition to a net zero, resilient and sustainable development that improves the quality of life and prosperity in LAC**. This is achieved through the four components below.



NDC INVEST offers a comprehensive package of technical and financial assistance. Throughout the years closely supporting LAC countries, **NDC INVEST** has gained valuable experience and knowledge of the challenges countries face to design and implement actions that lead to long-term climate resilience and net-zero emissions by 2050. Compiling the financial and non-financial solutions available, **NDC INVEST** has developed a toolbox to support governments and the private sector to tackle climate challenges and to accelerate climate action through:



Designing of LTS for net-zero emissions and resilience



Creating ambitious NDCs, aligned to LTS



Crafting of investment plans and finance strategies



Building a pipeline of Paris Agreement aligned projects



Developing new markets and address market barriers



Mobilizing climate finance

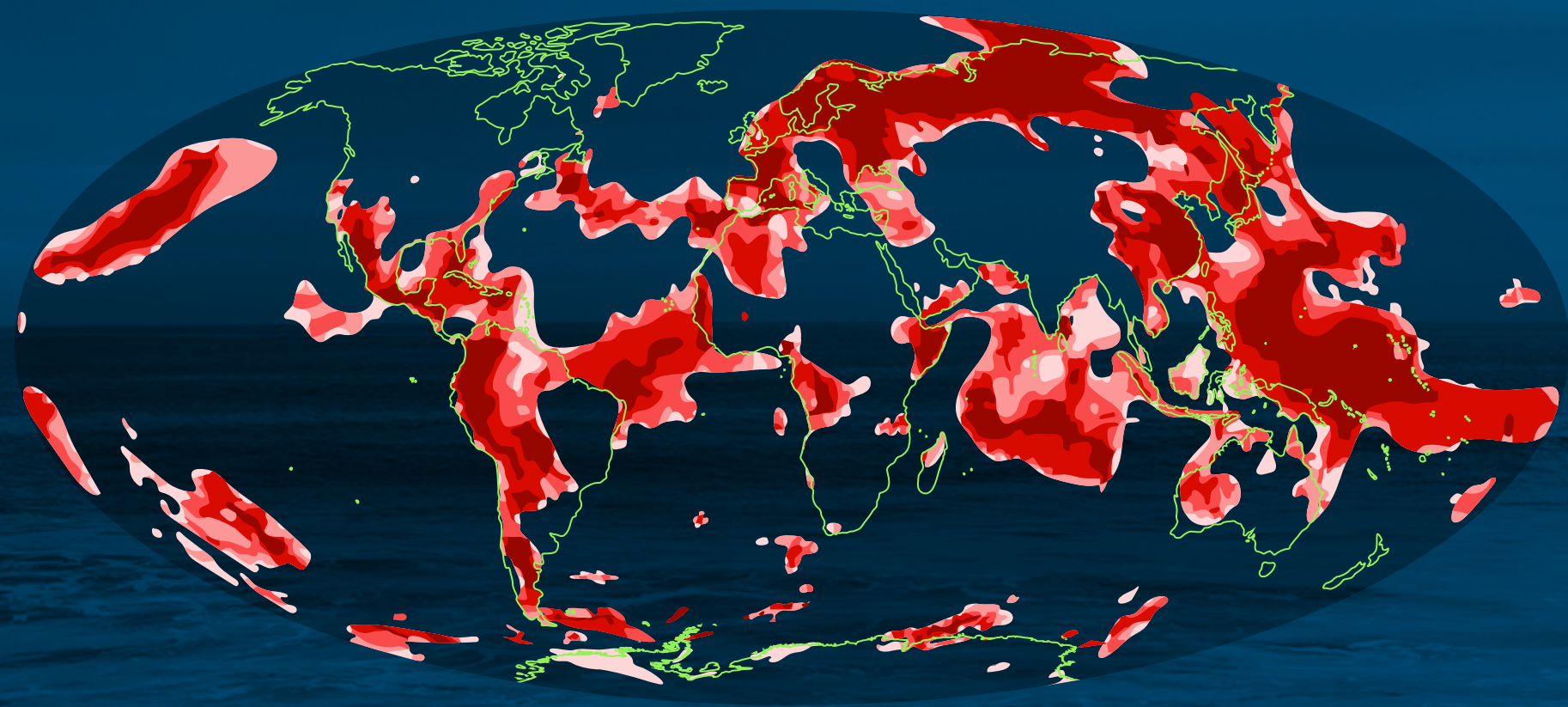
Through this structured approach, the **NDC INVEST** Platform continues to lead the climate agenda in the region.

HOW NDC INVEST SUPPORTS THE COVID 19 RECOVERY

2020 - CLIMATE CHANGE IN THE YEAR OF THE PANDEMIC

2020 showed us the vulnerability of humanity, our economies as well as the planet as such. The fragile structure our societies is based on has been tested by a raging pandemic, and with it many have experienced social and economic hardship hardly imagined before. But climate change does not halt.

ANNUAL AVERAGE TEMPERATURE RANKINGS IN 2020



WARMEST RANK: 1st 2nd 3rd 4th 5th

Temperature records in 2020: Red areas experienced one of the five highest temperatures on record in annual average temperature rankings.

Source: <http://berkeleyearth.org/global-temperature-report-for-2020/>

NDC INVEST PROMOTES EFFECTIVE CLIMATE ACTION

Green, just and sustainable recovery action can ensure that the negative impacts of the pandemic are not only reversed but new opportunities and innovation are created throughout the region.

In our publication "**NDC INVEST: Supporting transformational climate policy and finance**", we describe our framework to support governments in the design of LTS, Nationally Determined Contributions and investment plans and thereby scale up action towards a climate aligned and sustainable recovery and development path.

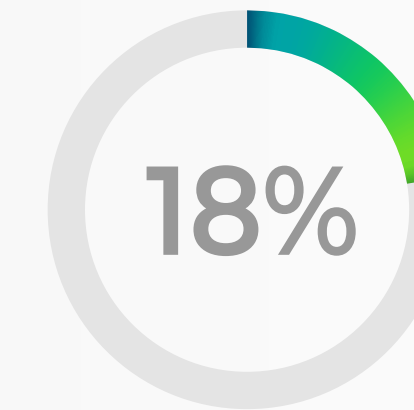


CLIMATE FINANCE IN THE IDB GROUP 2020

As **IDB Group**, we have pledged to dedicate 30% of our funds to climate finance. While this goal would have been achieved without the pandemic, climate finance made only 18% of the **IDB Group** operations in 2020 due to the exceptional financial effort to tackle the pandemic.

YEAR 2020

CLIMATE FINANCE \$3.4B



Source: 2020 Joint MDB Report on Climate Finance. <https://www.idbinvest.org/en/publications/2020-joint-mdb-report-climate-finance>. Note: Climate finance from IDB Group own account, as a percentage of IDB Group operations.

The sovereign window of the **IDB Group**, the **IDB**, contributed more than half of the total climate finance realized by the **IDB Group** in 2020. The overall majority of **IDB** climate finance can be traced back to two financial instruments, namely traditional investment loans and innovative policy-based loans.

2020 IDB CLIMATE FINANCE BY FINANCIAL INSTRUMENT IN MILLIONS DOLLARS					
INSTRUMENT	APPROVED AMOUNT	CLIMATE FINANCE	MITIGATION FINANCE	ADAPTATION FINANCE	DUAL FINANCE
Investment Loan	6,458.5	614.9	390.7	152.9	71.3
Policy-based Loan	4,955.7	949.5	662.1	209.8	77.6
Other Instruments	1,678.6	330.0	0.0	330.0	0
Advisory Services	200.8	58.1	33.0	13.9	11.2
Investment Grant	35.5	15.0	7.8	7.1	0.0
TOTAL	13,329.0	1,967.5	1,093.6	713.8	160.0

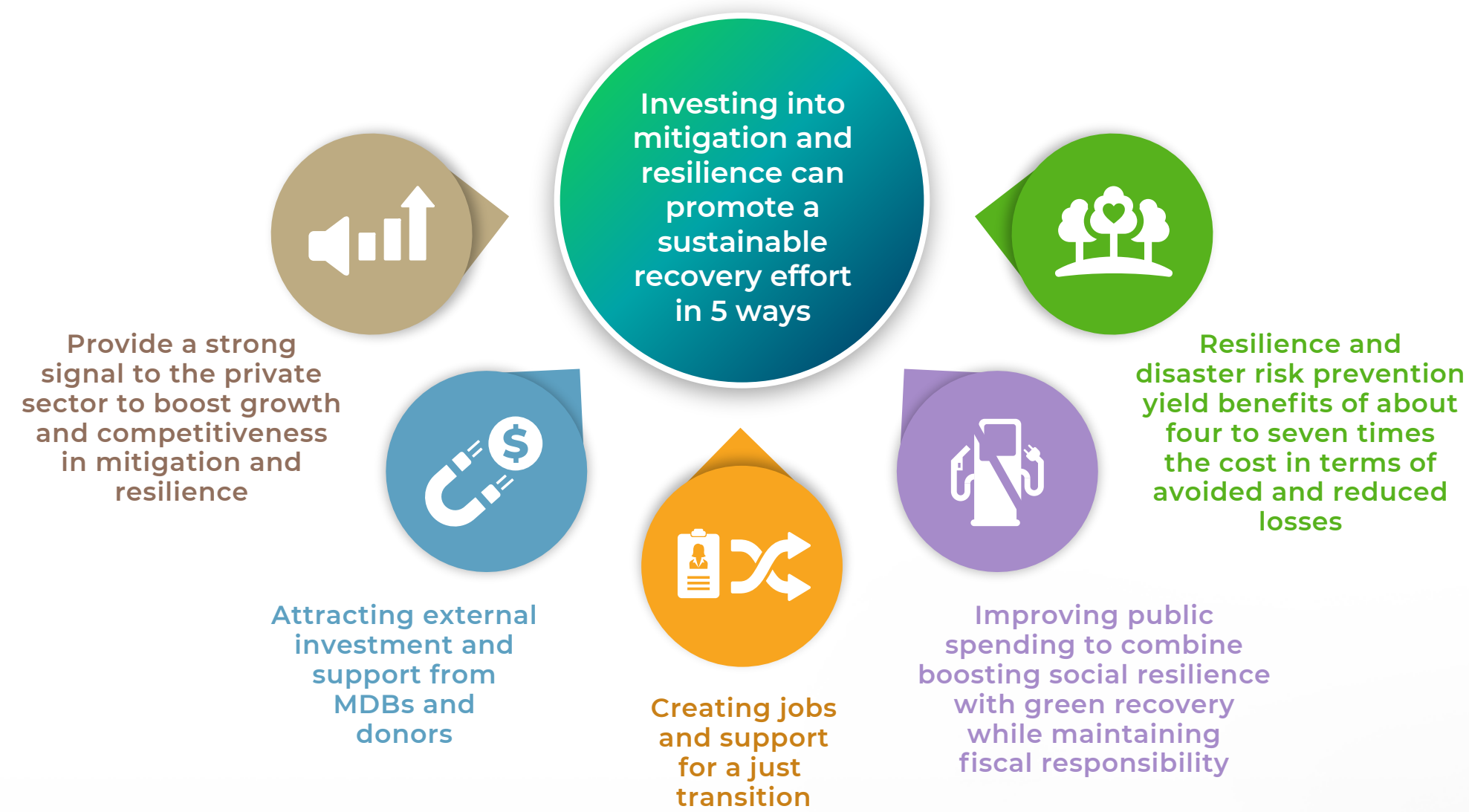
NDC INVEST continues to grow and is the largest NDC-related initiative among MDBs. As the numbers (only **IDB** sovereign window) show, **NDC INVEST** promoted several climate actions in the region, strengthening stakeholder capacity in the LAC region in their pursuit of transformational climate change investments and policies.

NDC INVEST PORTFOLIO BY INSTRUMENT:					
SPLIT BY INSTRUMENT - ONLY IDB SOVEREIGN					
TYPE	TECHNICAL COOPERATION	LOAN	INVESTMENT GRANT	GRANT FACILITY	CONTINGENT LOAN
TOTAL IDB SOV	170	35	8	2	3
TOTAL 218					

SUPPORTING MITIGATION AND CLIMATE RESILIENCE

Mitigation and resilience in the LAC region

Already more than half of **IDB Group** regional member states as well as the private sector in the region are actively integrating mitigation and climate resilience into their budgeting and planning processes. However, the region still faces significant challenges, including limited institutional capacity, lack of comprehensive information to inform decision, or limited access to financial resources.



In 2020, a relative larger share of the **NDC INVEST** portfolio supported mitigation, however, we see increasing demand for adaptation. One of the reasons for the high number of mitigation action is the fact that many typical mitigation projects, such as installation of renewable energy generation are experiencing a strong demand due to the progress in technology and very favorable economics compared to fossil-based energy generation.

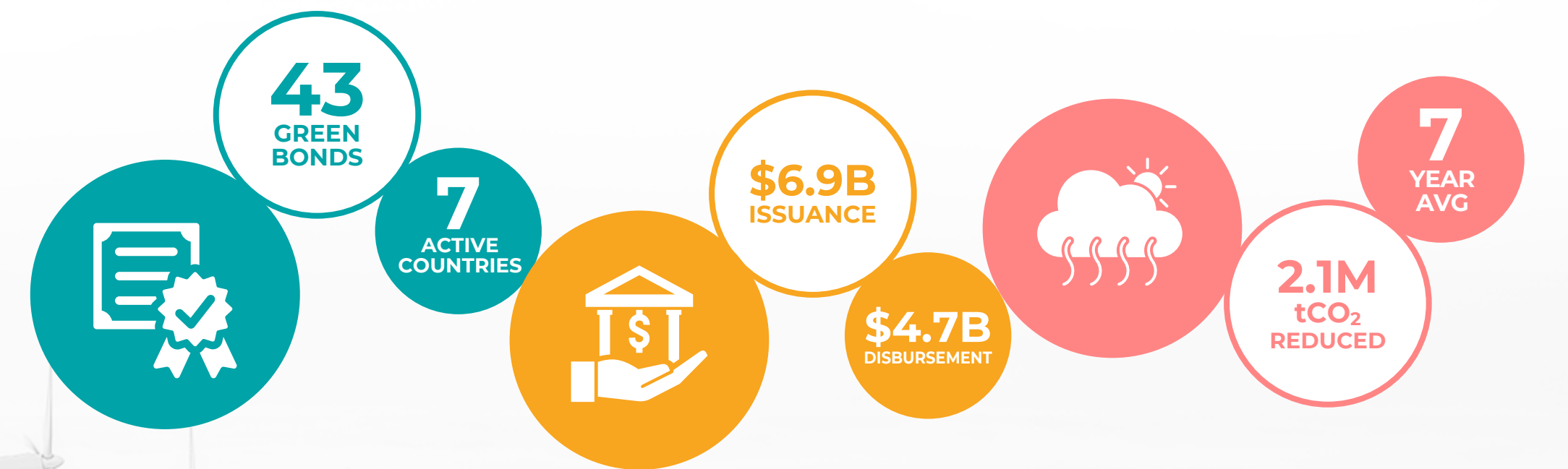
The region is presenting stronger commitments

Encouragingly, many LAC countries from Jamaica to Chile are connecting climate action with sustainable recovery, a win-win to deliver on global climate and biodiversity goals supporting development priorities.

Positive developments such as the steep drop in the cost of renewable energy projects or electric vehicles combined with growing business interest in climate action are strengthening the region's commitment to a climate transformation.

This is also supported through green bonds (bonds whose proceeds are designated for climate and environmental projects). Since the first LAC green bond in 2014, sovereign and private issuance in LAC has reached US\$12.9 billion. Additionally, the **IDB Group** are actively promoting sustainable finance through the issuance of Sustainable Development Bonds (SDB). The last SDB of 2020 was issued in autumn 2020 and generated CAD 600 million focusing on climate change and SDG goal 13.

OVERVIEW OF THE GREEN BOND TRANSPARENCY PLATFORM



Data from July 2021. See: <https://www.greenbondtransparency.com/>

NDCs AND LTS

Through **NDC INVEST**, we have been supporting countries in the region in their efforts to create a strategic view on their adaptation and resilience efforts through **LTS** and within their **NDCs**:

i. Developing relevant knowledge and building national capacities: The **IDB** has been leading the generation of knowledge surrounding long-term decarbonization and resilience pathways. Through the DDPLAC initiative, we are training in-country teams in modeling IPCC approaches to assess sector transformation pathways consistent with decarbonization.

a. In Costa Rica, we supported the drafting of the decarbonization plan and a cost-benefit analysis of its implementation. It found that Costa Rica's national decarbonization plan will bring \$41 billion in net benefits between 2020 and 2050. Additionally, we are currently supporting the creation of an investment plan based on the aforementioned analyses.

b. We are currently supporting Colombia with a study to evaluate climate risks at local level under current adaptation conditions to assess resiliency pathways and evaluate lines of action to increase resiliency. The results of this work are informing the 2050 **LTS** of the country.

c. The governments of Chile and Peru developed cost-benefit analysis based on their **LTS** together with **NDC INVEST**. In Peru, the results show that an implementation of the **LTS** can bring up to USD 140 billion in net benefit until 2050.



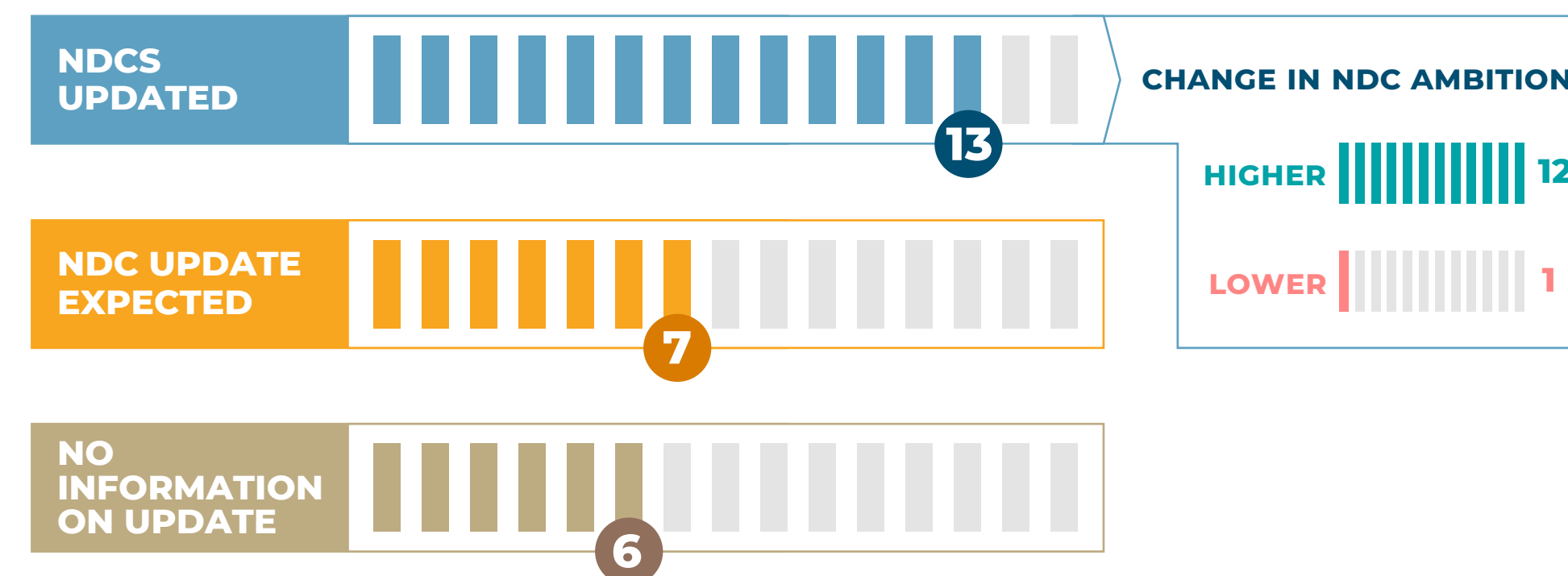
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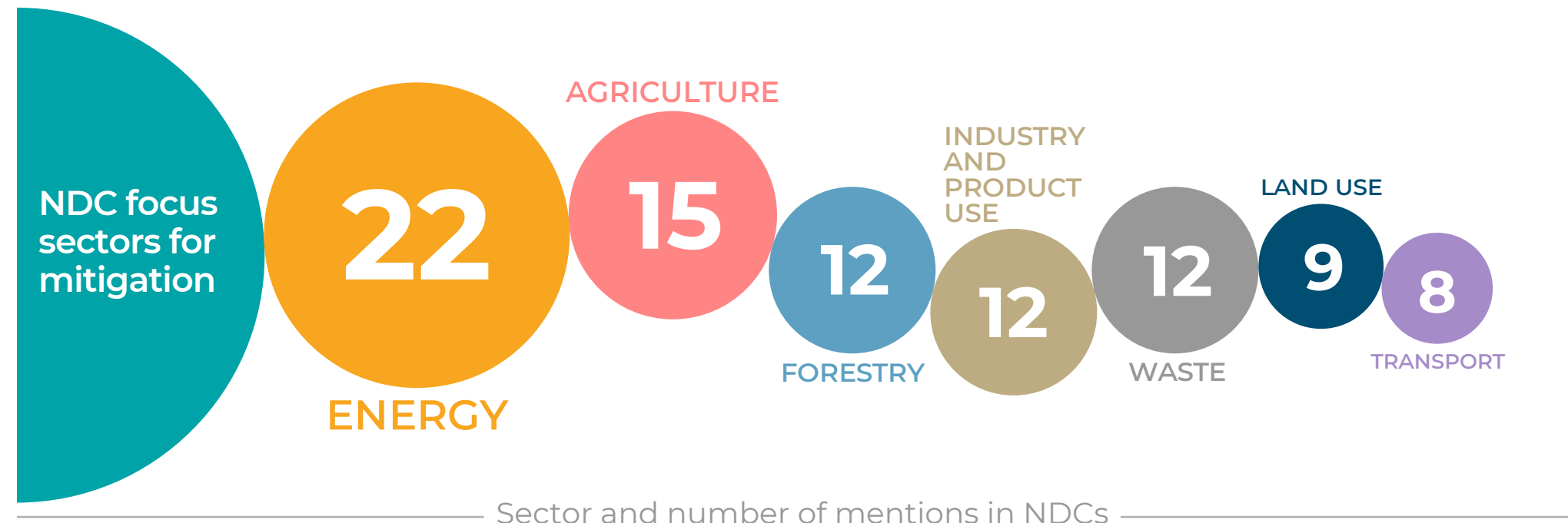
ii. Through **NDC INVEST**, we have been supporting several countries in the region, e.g., **Chile, Costa Rica, Suriname and Barbados** in the design of their updated **NDCs**. Thereby, we helped to create a link between long term ambitions targeting at full decarbonization and middle-term goals 2030 aiming at the highest possible reduction of GHG emissions until then. This also includes the definition of included sectors and relevant actions that enable the countries to achieve their **NDCs**. Similarly, the **NDCs** of countries in the LAC region highlight the importance of mainstreaming adaptation action and draw linkages between both climate action categories. When it comes to combining mitigation and adaptation in operations in the region, we see especially high potential in agriculture and water management, land use, and energy, as these sectors are very frequently mentioned in both **NDC** mitigation and adaptation plans.

At least 75% of IDB Group regional member states will have submitted updated NDCs by end of 2021



Overall significant progress in mitigation and adaptation in the updated NDCs

NDC sector analysis shows mitigation and adaptation linkages



Sector and number of mentions in NDCs



Reading example: 22 IDB Group regional member states mention the energy sector in their respective NDCs

iii. **Implementing LTSs and NDCs:** We are helping countries develop financial strategies and investment plans to implement **LTS and NDCs**. These will identify the policies, regulations, and investments required and define instruments to mobilize financing. For instance, the **IDB Group** helped the Government of Chile in the design of its Financial Strategy on Climate Change.

Continuing our efforts, we seek to replicate this type of interventions in other countries with activities such as the creation of investment plans, integrating criteria to align and prioritize **LTS** projects in public investment systems and defining strategies to manage fiscal impacts.

NDC INVEST SUCCESS CASE STUDIES

The following illustrative case studies provide a short summary of specific successful results of the work of **NDC INVEST** and demonstrate the expected outcomes and impacts of its initiatives in the **IDB**, **IDB Invest**, and **IDB Lab**.



The **NDC INVEST** finance mobilizer is our approach to activate all funding resources to promote climate finance and sustainability.

In 2020, among other highlights we see the provision of policy-based loans supporting bold climate change action as one of the biggest achievements of **NDC INVEST**.

- For instance, the government of Costa Rica was granted a USD 230mn loan to enable the transition towards a green economy as laid out in the decarbonization plan of Costa Rica. This is an excellent example for the holistic approach of **NDC INVEST** as the creation of the decarbonization plan subsequently allowed for the approval of several loans which, as a result, will lead to tangible impact on the ground.
- Another example is a policy-based loan of USD 100mn to boost resilience and inclusive growth in the Bahamas. The general objective is promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas. The specific objectives are promoting a more competitive business climate; and protecting natural resources, the environment, and promoting scientific developments in the Blue Economy for better environmental resiliency.



The Macauba Pilot Project in Brazil contributes to finding solutions to stop deforestation for traditional palm oil monocultures by planting the Macauba palm. The Macauba is an indigenous palm tree in Brazil which produces vegetable oil products comparable to the African oil palm (largest global vegetable oil market today). A significant advantage is that the indigenous palm does not require rainforest conditions to grow. The project offers significant benefits in terms of ecological and social benefits as well as in financial terms – and is highly scalable. The project received a significant share of the total of USD 4mn funding through **IDB Lab**.



IDB Invest provided a \$125 million financial package to ENGIE Energía Chile with the aim of accelerating the decarbonization of the country's electricity matrix. The funds, with a tenor of up to 12 years, will be used to build, operate and maintain the Calama wind farm with an installed capacity of approximately 151 megawatts (MW). The innovation in the deal comes from the structuring of a pilot financial instrument to accelerate decarbonization activities in Chile, by monetizing the displacement of greenhouse gas emissions (GHG) when closing thermoelectric coal plants early and replacing them with clean technology projects.



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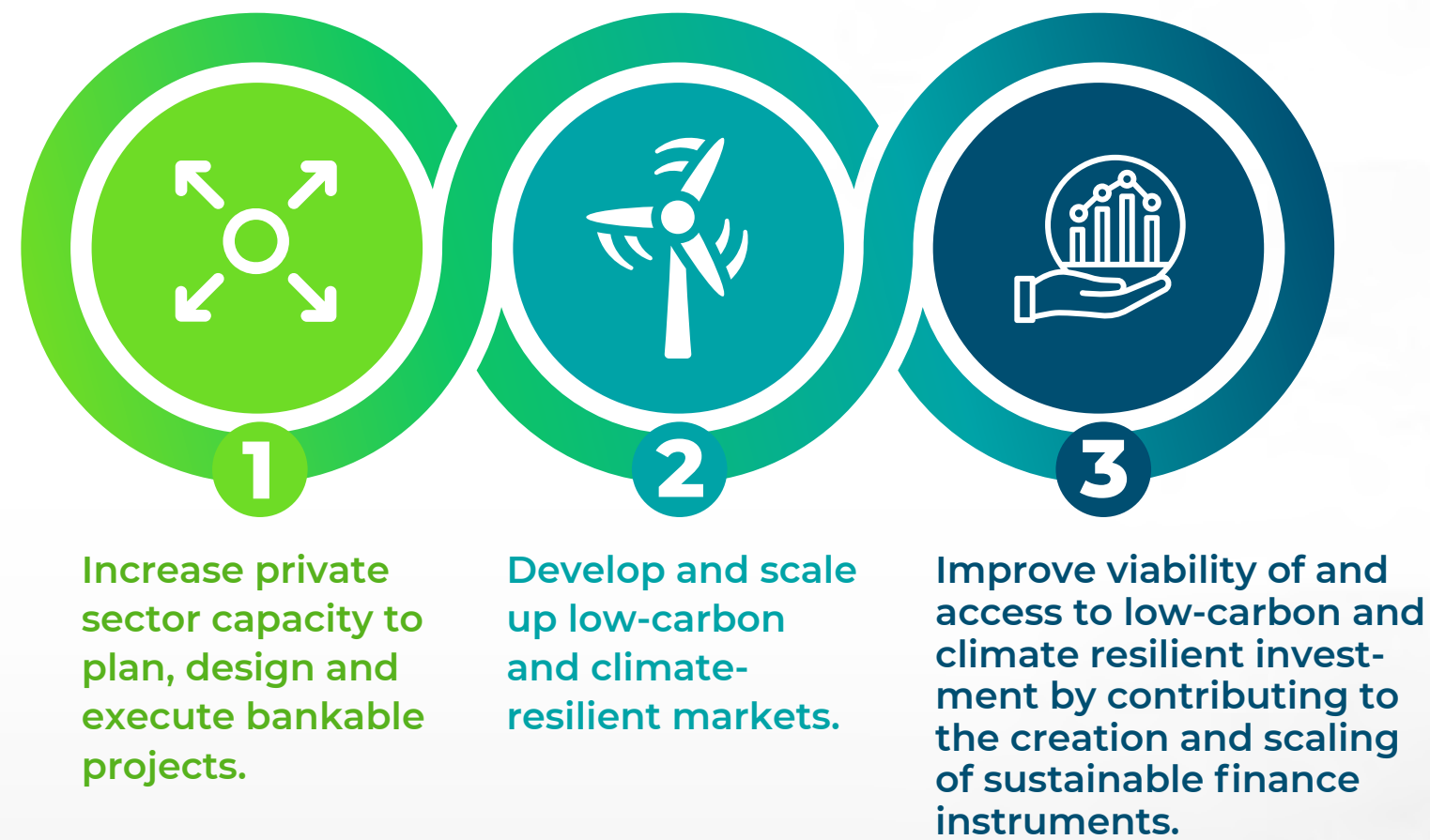
PRIVATE SECTOR EFFORTS

The crucial role of the private sector in the LAC region climate ambition

While it has long been perceived that the public sector must play the leading role in financing climate action, existing funding gaps in the LAC region have made it clear that private sector engagement and financing are critical. Mobilizing private-sector investments is essential to meet the goals of the Paris Agreement. This is even more important in countries with significant fiscal constraints. The Second Update to the **IDB Group** Institutional Strategy emphasizes increasing overall resource mobilization by building partnerships, developing innovative instruments, and adjusting internal incentives. These goals can be achieved through two main approaches, namely supporting sustainable finance systems, and fostering private sector projects through **IDB Invest** and **IDB Lab**.

Progress through IDB Invest

Through its advisory services division, **IDB Invest** completed 34 projects in climate advisory in 2020, across the energy and infrastructure, financial institutions and corporate sectors. These projects contribute to the “pipeline accelerator”, “market booster” and “finance mobilizer” components of the **NDC INVEST** platform as they do the following:



Example projects of IDB Invest included in the NDC INVEST portfolio:

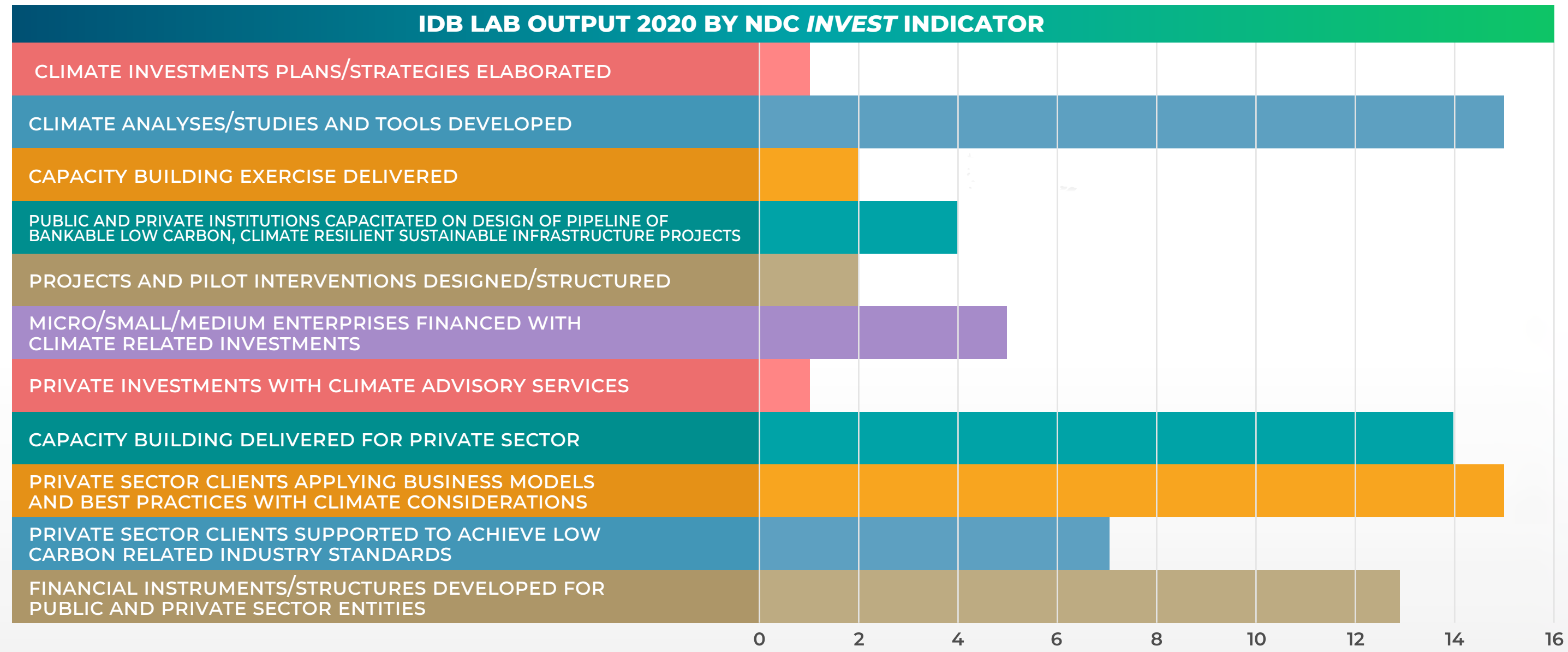
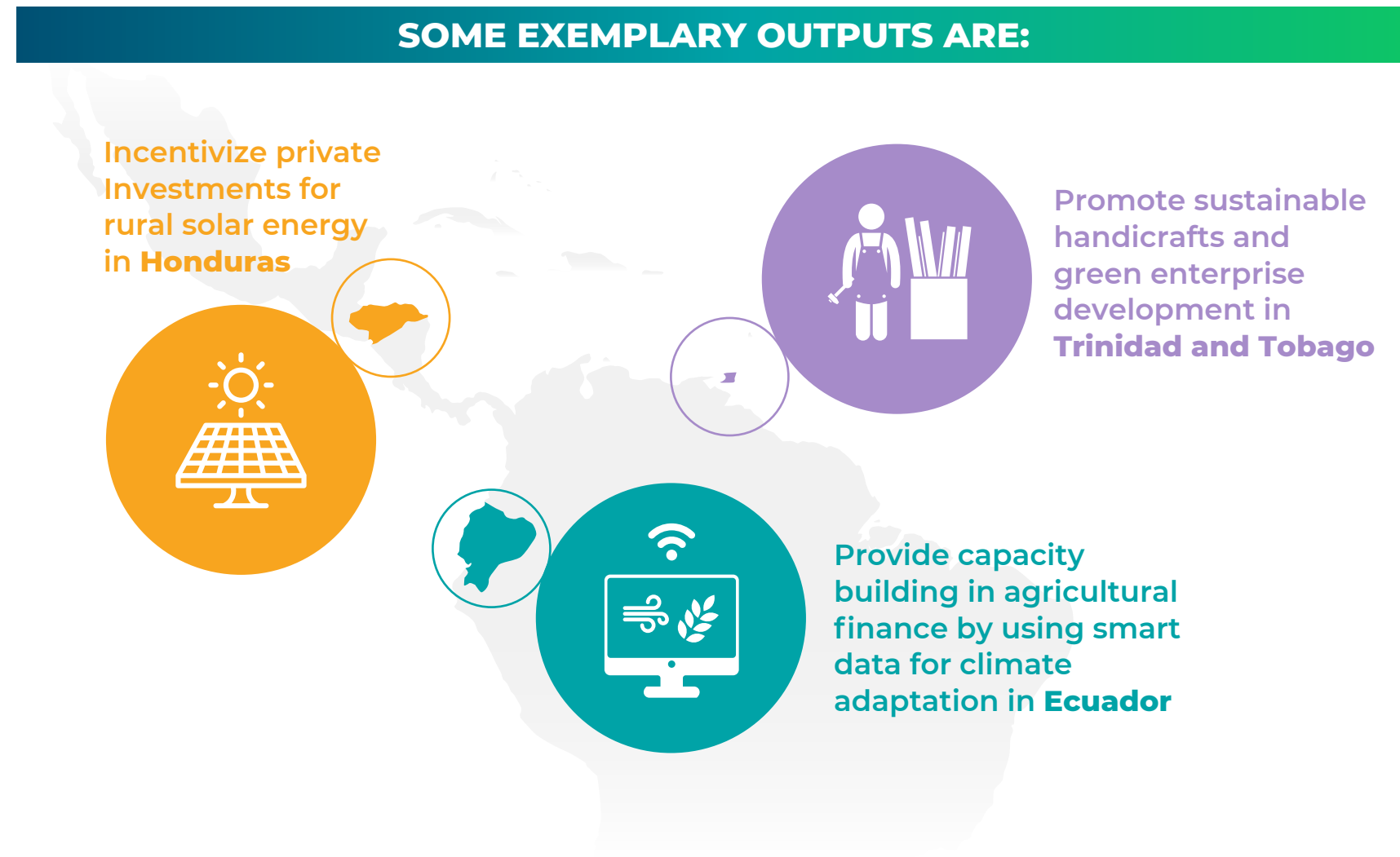
- In Argentina, **IDB Invest** supported the completion of the Wind-Wildlife Guidelines that will serve as a guideline for the private sector development of wind energy projects in Argentina.
- In Colombia and Guatemala, **IDB Invest** advisory services supported an energy market assessment and project due diligence for Kingo. The project will provide access to renewable energy sources to off-grid communities.
- Moreover, **IDB Invest's** new Sustainability Policy came into effect on December 15, 2020. It strengthens management around climate-related risks, both physical and those associated with the low-carbon transition.



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Progress through IDB Lab

In 2020, **IDB Lab**, the innovation laboratory of the **IDB Group**, supported climate change action in more than 50 projects with a total funding volume of almost USD 45mn. Within these projects, around 80 climate action related outputs were created.





www.iadb.org/en



<https://www.idbinvest.org/en>



<https://bidlab.org/en>

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Regional action that inspires the world