NDC INVEST
ANNUAL OVERVIEW
2020
**NDC INVEST – 2020 OVERVIEW**

**NDC INVEST INITIATIVES**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>IDB Invest</th>
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**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** 25

**INITIATIVES** 331

**SUPPORTING THE PUBLIC SECTOR** 218

**SUPPORTING THE PRIVATE SECTOR** 113

**REGIONAL INITIATIVES** 67

**TOTAL NUMBER OF INITIATIVES** 218 34 79
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:

- **NDC PROGRAMMER**: Supporting public institutions in the design of public policy plans for decarbonization and climate adaptation, e.g., Long-term Strategies (LTS) or NDCs.
- **NDC PIPELINE ACCELERATOR**: Supporting public and private institutions accelerating planning and design of sustainable projects.
- **NDC MARKET BOOSTER**: Supporting for public and private institutions to overcome market barriers and develop innovative approaches for sustainable projects and investments.
- **NDC FINANCE MOBILIZER**: Supporting public and private institutions in mobilization of IDB Group internal as well as external funding for transformative projects.

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

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
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.

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.

ANNUAL AVERAGE TEMPERATURE RANKINGS IN 2020

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/
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.

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.

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.

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.

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.

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.

SUPPORTING MITIGATION AND CLIMATE RESILIENCE

Investing into mitigation and resilience can promote a sustainable recovery effort in 5 ways

Attracting external investment and support from MDBs and donors

Creating jobs and support for a just transition

Improving public spending to combine boosting social resilience with green recovery while maintaining fiscal responsibility

Resilience and disaster risk prevention yield benefits of about four to seven times the cost in terms of avoided and reduced losses

Provide a strong signal to the private sector to boost growth and competitiveness in mitigation and resilience

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OVERVIEW OF THE GREEN BOND TRANSPARENCY PLATFORM

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

43 GREEN BONDS

7 ACTIVE COUNTRIES

$6.9B ISSUANCE

$4.7B DISBURSEMENT

2.1M tCO2 REDUCED

7 YEAR AVG

$6.9B

$4.7B

2.1M tCO2

7 YEAR AVG

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.

**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**

![Change in NDC ambition chart](chart.png)

- **Higher** (12): 13 countries updated their NDCs to a higher ambition.
- **Lower** (1): 1 country updated their NDCs to a lower ambition.
- **No information on update** (6): 6 countries did not update their NDCs.

Overall significant progress in mitigation and adaptation in the updated **NDCs**.
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.

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.
The NDC INVEST 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.
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:

1. Increase private sector capacity to plan, design and execute bankable projects.
2. Develop and scale up low-carbon and climate-resilient markets.
3. Improve viability of and access to low-carbon and climate resilient investment by contributing to the creation and scaling of sustainable finance instruments.

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.
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.

SOME EXEMPLARY OUTPUTS ARE:

- Incentivize private Investments for rural solar energy in Honduras
- Promote sustainable handicrafts and green enterprise development in Trinidad and Tobago
- Provide capacity building in agricultural finance by using smart data for climate adaptation in Ecuador

IDB LAB OUTPUT 2020 BY NDC INVEST INDICATOR

- Climate Investments Plans/Strategies Elaborated
- Climate Analyses/Studies and Tools Developed
- Capacity Building Exercise Delivered
- Public and Private Institutions Capacitated on Design of Pipeline of Bankable Low Carbon, Climate Resilient Sustainable Infrastructure Projects
- Projects and Pilot Interventions Designed/Structured
- Micro/Small/Medium Enterprises Financed with Climate Related Investments
- Private Investments with Climate Advisory Services
- Capacity Building Delivered for Private Sector
- Private Sector Clients Applying Business Models and Best Practices with Climate Considerations
- Private Sector Clients Supported to Achieve Low Carbon Related Industry Standards
- Financial Instruments/Structures Developed for Public and Private Sector Entities

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.