

INTER-AMERICAN DEVELOPMENT BANK
OFFICE OF THE VICE PRESIDENT FOR SECTORS AND KNOWLEDGE
INFRASTRUCTURE AND ENVIRONMENT SECTOR

PROFILE

STRATEGIC FRAMEWORK FOR SUPPORTING CLIMATE CHANGE
ACTION IN
LATIN AMERICA AND THE CARIBBEAN
(Climate Change Strategy Profile)

March 1, 2010

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I. OBJECTIVES

- 1.1 The IDB is developing a Climate Change Strategy (CCS) to be submitted for approval by the Inter-American Development Bank's (IDB's) Executive Board in 2010. The objective of the CCS is to serve as a guiding instrument for scaling up IDB support for actions to mitigate and adapt to climate change within Latin America and the Caribbean (LAC). Leveraging the IDB's institutional strengths and its unique advantages, the CCS will promote the development and use of a range of public and private sector financial and nonfinancial instruments for strengthening the institutional, technical, and financial capacity to address climate change challenges. It will also guide and facilitate the Bank's dialogue with governments, civil society, and the private sector concerning regional and national climate policy agendas. The CCS will bring public and private financing and capacity building into a single framework for climate action, and will orient the Bank's efforts to strengthen and consolidate its own capacities, readiness and comparative advantages in order to mainstream climate change sustainability objectives into its operations.

II. DIAGNOSIS

- 2.1 The LAC region is highly vulnerable to the detrimental effects of climate change. Climate-related disasters – storms, floods, droughts, landslides, extreme temperatures and forest fires – have already caused enormous damage and a high economic cost to the region.¹ Climate models predict that more intense and frequent extreme weather events will seriously impact the region's natural and built environment in the coming decades, negatively affecting the livelihood of millions of people. Increased vulnerability to climate change may lead to several potential negative consequences, including: (i) adverse effects on food security and agriculture; (ii) changes in water availability; (iii) decreases in energy supplies, (iv) damage to coastal zone areas; (v) damage to coral reefs, fish stocks, and associated ecosystem service; (vi) damage to built environment due to storms; (vii) biodiversity loss and loss of associated ecosystem services; and (viii) loss of vast areas of forests. These climate impacts are likely to disproportionately affect the most vulnerable groups, especially the poor, making climate change a serious development issue.² Climate vulnerabilities will force the region to invest in climate change adaptation activities as a top environmental, economic and social development priority. Several countries in the region are currently identifying and assessing the

¹ Between 1970 and 2007, the costs of these events to the region have been in the order of US\$80 billion, or \$2.16 billion per year. This excludes geophysical events (earthquakes and volcanic eruptions) (ECLAC, 2009: Cambio climático y desarrollo en América Latina y el Caribe: una reseña).

² Extreme climate events could increase poverty in Mexico by almost 2%. (Ahmed, Diffenbaugh and Hertel: *Climate Volatility Deepens Poverty Vulnerability in Developing Countries*, Environmental Research Letters 4). Climate change is expected to cause an 18% reduction in agricultural productivity in Brazil, resulting in 3.2% increase in rural poverty (De la Torre, Fajnzylber and Nash: *Low Carbon, High Growth: Latin American Responses to Climate Change*. World Bank, 2009).

economic implications of climate change, including potential costs and benefits of mitigation and adaptation in specific sectors.³

- 2.2 The region must be ready to confront the economic impacts of climate change by advancing clear climate adaptation measures in vulnerable economic sectors and infrastructure systems, such as agriculture, water resource management, energy and transport infrastructure, tourism, health, urban development and disaster risk management. The technical and financial requirements to build climate resilience across sectors and into the future are being assessed; the effort will certainly be of enormous proportions and will require the mobilization of innovative solutions, vast financial resources, institutional capacities and strong political will for effective action.⁴ In agriculture, for example, the manifestations of climate change will lead to declines in agricultural production and productivity and will demand adaptation to maintain or increase productivity both through changes in production practices as well as shifts in crops planted.⁵ Changes in rainfall patterns will require adjustments in water resource management both for agricultural and urban uses. While an increased risk of extreme weather events, will call for plans of action to avoid negative consequences on urban populations as well as economic activities such as agriculture, tourism and transportation.
- 2.3 To address the climate adaptation challenges, the Bank will target key economic sectors such as agriculture, water resource management and urban development, as the consequences of inaction in these sectors could be catastrophic for the economic sustainability of nations in the region. The means to protect these sectors will need to be further developed within the Bank and region, and concrete adaptation measures need to be fully incorporated into sector planning. Examples of such measures include: the provision of insurance coverage against catastrophic events to agricultural producers and local populations; the application of technology to increase crop resistance to increased temperatures; the adoption of adequate water governance frameworks to guarantee water provision in areas exposed to climate stress; and the adoption of engineering and policy options to increase climate resilience of cities. Equally important will be the protection of major infrastructure investments in the energy, transportation and tourism sectors, including the use of climate-sensitive and risk mitigation solutions in the design, construction and operation of facilities.
- 2.4 With regard to the region's contribution to global greenhouse gases (GHGs), LAC is a relatively minor player when compared to the more developed economies. In 2008, the LAC region accounted for 8.6% of the world's population, for 8.2% of the world's GDP,

³The *Study of Economic Impacts of Climate Change in Mexico* (SHCP and SEMARNAT, 2009) reveals that the total costs of climate change to the Mexican economy will range between 3.2% of GDP (using a 4% discount rate) and 10.4% of GDP (using a 0.5% discount rate) by the year 2050.

⁴ Recent cost projections show that for Latin America the cost of adapting to a 2 degrees C warmer world from 2010 to 2050 is in the range of US\$16.8 bill. to 21.5 bill./ year (in the driest and wettest scenario, respectively) (*Economics of Adaptation to Climate Change*. The World Bank, 2009).

⁵ A study of farmers in South America suggests that with climate change farmers are likely to substantially shift production from currently produced "cool loving crops" to "warm loving crops" that are being produced elsewhere in South America (Seo, S. N. and R. Mendelsohn. 2008. "An analysis of crop choice: Adapting to climate change in South American farms." *Ecological Economics* 67:109 – 116.).

and for 12% of global GHG emissions. However, its contribution to GHG emissions is increasing over time. In terms of both the ratio of emissions to population and of emissions to GDP, the region has reached levels comparable to those in medium and high-income countries, and on a per capita basis the region contributes more to GHG emissions than other developing countries, including China and India. This growth in harmful emission rates is in itself a compelling reason for increasing attention to mitigation activities in the region. There is an equally strong economic rationale for directing support to GHG mitigation in the region, given the significant opportunities for implementing mitigation activities that are both environmentally sound and cost-effective, such as the energy efficiency measures (see below). These are “no-regret” mitigation activities that can be supported with a relatively high level of confidence. When the costs and benefits of actions for mitigation are less clear and cannot be internalized under existing policy frameworks, new policies must be considered to align the necessary economic incentives to carry out mitigation measures.

- 2.5 The Bank will target the main emitting sectors in LAC for mitigation intervention: land use, land use change and forestry (LULUCF), energy and agriculture and livestock. LULUCF accounts for 47% of LAC’s GHG emissions, and includes intensive land vegetation change, destruction of forests, expansion of agriculture, and land degradation. Addressing the most important decisions affecting deforestation and forest degradation -- land value and ownership rights, profitability of agricultural and forest practices, and access to markets – is critical. A mitigation strategy in the area of LULUCF could target forest lands where the economic return from agriculture is not high, and therefore are not under extreme pressures from competing alternative uses, and where land owners will likely respond positively to incentives for forest conservation and adoption of low-impact activities. These areas account for 39% of all forest resources in LAC. One concern over creating incentives for forest conservation is that this will lead to greater agricultural intensification if agricultural producers substitute intensified input use on existing lands for expanding production on new lands. This may shift GHG emissions from forest degradation to agricultural production limiting the mitigation benefits. In promoting forest conservation, the Bank will consider the alternative activities of producers carefully assessing the net effect on emissions.
- 2.6 Energy-related activities (mainly electricity and heat generation, manufacturing and transportation) are the second largest GHG contributor at 28% of LAC’s GHG emissions. Important technological opportunities for GHG reductions in energy-consuming sectors (mainly transport, water and sanitation) are available and can be successfully implemented if adequate levels of finance are provided, along with the necessary institutional frameworks. Similarly, there is a large potential for developing renewable energy sources in the region, including wind, solar, hydro, geothermal and bio-energy. Declining costs of some technologies (especially wind) are conducive to their full expansion. The largest regional opportunities for GHG reductions in the energy sector are in energy efficiency (EE), with benefits from EE measures often exceeding costs. The success of both renewable energy and energy efficiency programs largely depends on governments’ ability to overcome existing regulatory barriers and provide the right incentives for scaling up investments in these technologies. The third most important

sector is emissions from agriculture and livestock with 20% of total emissions (primarily methane and nitrous oxides).

III. BANK RESPONSE AND LESSONS LEARNED

- 3.1 With the aim of helping address the issue of climate change in the region, as well as helping its client countries gain access to international funding for climate change activities, the IDB's Board of Directors approved in 2007 the Sustainable Energy and Climate Change Initiative (SECCI), and shortly thereafter the creation of two SECCI Funds to support this initiative (SECCI IDB Fund and SECCI Multidonor Fund). SECCI's main objective is to mainstream Climate Change mitigation and adaptation within IDB operations, targeting the provision of comprehensive sustainability options in areas related to the energy, water and environmental sectors, and building climate resilience in key priority areas vulnerable to the impacts of climate change.
- 3.2 Since 2005, and especially with the launching of the SECCI Initiative in 2007, the IDB has sought to support the efforts of its member countries to address the climate change challenges. It has pursued three main lines of activity directed towards climate change mitigation and adaptation objectives: (i) developing and strengthening institutional and regulatory frameworks to foster investments, (ii) providing technical assistance, and (iii) providing financing instruments for public and private sector operations. At present, through SECCI and the expanded portfolio of its sector operational divisions, the Bank is working in more than 20 LAC countries using a full array of instruments, including technical cooperation projects, retainers to assist public and private clients prepare investments, and direct loans for innovative projects.⁶ These activities have set the foundations for the application of a broad range of instruments, including a significant step up in lending activity via investment and Policy Based Loans. The whole set of instruments have proved key in scaling up the financing that is needed by countries of the region for clean energy and climate adaptation activities. A key lesson learned from the mobilization of SECCI resources is that the technical assistance provided to public and private recipients of SECCI funds needs to be closely linked to the Bank's investment instruments to ensure that the much needed capital investments for climate mitigation and adaptation activities are forthcoming.
- 3.3 Another important lesson is the need to strengthen the Bank's role in facilitating LAC countries access international funding. Key international funding sources include: funds under the UNFCCC, such as Global Environment Facility (under its climate window); Kyoto Protocol's Clean Development Mechanism (CDM); the Climate Investment Funds (CIF) and the Adaptation Fund (in its initial stages of implementation). The Bank has managed to mobilize SECCI resources for support in the preparation of CDM projects, which has helped reduce time and cost of preparation of such projects. Also, the Bank has assumed a leadership position, along with the World Bank and the IFC, in assisting Mexico and other countries (more recently Colombia) prepare and submit their clean energy investments for financing under CIF's Clean Technology Fund. This has been a

⁶ The high demand for SECCI funds has led to the replenishment of US\$40 million in the SECCI IDB Fund in 2009, doubling the capital originally allocated.

successful effort, producing plans that provide a coherent investment platform in pursuit of clean energy and GHG emission reduction objectives in each country. To ensure the effectiveness of such assistance, the Bank will have to ramp up its technical and financial resources –lending and non-lending – in line with the growing demand for support in the region. It will also have to demonstrate capacity to provide targeted and effective assistance that articulates national priorities and the evolving international financial framework.⁷

- 3.4 With regard to institutional capacities and climate policy innovations and reforms, the Bank has drawn important lessons. The experience gained through the Bank's Programmatic Climate Change Policy-Based Loans (PBL's) in Mexico and Colombia, as well as other capacity building programs underway in these and several other countries (Peru, Guatemala) shows that a strong leadership from the finance ministries is required for effective climate policy formulation, design and implementation, and for an effective commitment of financial resources towards the achievement of climate objectives. Also, cross-sectoral coordination and a strong climate change national entity able to articulate the various technical demands in the climate mitigation and adaptation agenda are critical.
- 3.5 The need to strengthen the Bank's collaboration with multilateral development agencies and banking institutions, such as The World Bank, UN agencies, and others has been identified as critical to the success of the Bank's support to the region. Much of the support provided by these agencies to the countries in the area of climate, lacks coordination and complementarity with the Bank's activities. Adequate coordination with these institutions will facilitate transfer of knowledge, dialogue with governments, civil society and the private sector, and the much necessary articulation and execution of technical and financial assistance to the region.
- 3.6 Finally, the IDB's private sector experience in the region shows that financing is one of the principal barriers to energy efficiency and clean energy generation projects in LAC. Project sponsors face high capital costs and inflated risk perceptions associated with being an early entrant to these markets. Local financial intermediaries lack relevant expertise and capacity to analyze and appropriately structure financing deals for such projects, which typically results in relatively high transaction costs and high interest rates that discourage potential borrowers. Therefore, there is an unmet need for adequate financial instruments and financial incentives to support energy efficiency, renewable energy, and other climate-related projects. Successful initiatives should combine access to finance from both the IDB and through financial intermediaries with programs that build capacities within private market actors to scale up these projects on a commercial basis. Such an approach will become particularly relevant to the private sector's engagement in addressing the drivers of deforestation and adaptation challenges.

⁷ The Copenhagen conference in December 2009 led to new global proposals, such as the Copenhagen Green Climate Fund under the Copenhagen Accord, which includes the provision of new short-term financing (US\$30 billion) for climate change mitigation and adaptation activities.

IV. AREAS FOR BANK INTERVENTION

- 4.1 Addressing investment needs in support of climate change mitigation and adaptation will require the development of certain capacities and offerings to the market. The IDB will strengthen and consolidate its own capacities, readiness, and comparative advantages in order to mainstream climate change sustainability objectives into its operations and efforts, and to better equip itself as a catalyst for clean development in the region.
- 4.2 As part of the Strategy preparation process, the IDB is undertaking a comprehensive assessment of its technical capacity to be a leader in supporting LAC governments' and private sector's efforts to adopt to CC. Initial results indicate that the Bank has some of the technical strengths, and that its actions have led to some successful outcomes, reflected in: growing clean energy investments, especially through increase support to private sector operations; national energy efficiency programs with significant impact on energy savings; comprehensive technical assistance programs in support of policy innovations with considerable support from finance ministries; and participation in new international climate financial mechanisms, showing a convening power and collaborative capacities. However, these capacities are by no means sufficient to mainstream climate change sustainability objectives into its operations, and to serve as a true catalyst for clean development in the region. As part of the CCS, the Bank will seek to strengthen and consolidate its institutional capacity by expanding its technical assistance and investment portfolio, increasing and improving the generation of knowledge products, and increasing the Bank's coordination with the international community in support of climate objectives in the region, among other means. This effort could have organizational and budgetary implications.
- 4.3 The IDB will pursue the following five strategic lines of activity to respond effectively to growing demand for climate change interventions: (i) strengthening the knowledge base for addressing mitigation and adaptation priorities; (ii) strengthening institutions and private and public capacity for climate change action in the region; (iii) development of guidelines to mitigate impacts of the Bank's operations; (iv) identification and development of lending and technical assistance potential in key sectors; and (v) scaling up investments, addressing financial gaps and leveraging private sector investments. The five strategic lines of activity to be pursued under this CCS are further examined in the following passages.

A. Strengthening Knowledge Base for Addressing Mitigation and Adaptation Priorities

The Bank will expand its knowledge base on clean development and adaptation to provide training, guidance, support and knowledge products to its clients.

- 4.4 The IDB should continue to provide support for knowledge generation in climate change mitigation and adaptation, consolidate this information and make it available to regional and international participants in the climate agenda. Drawing upon its extensive technical resources, the Bank should address knowledge needs in the individual sectors and policy disciplines participating in the climate change agenda, including energy, water resource management, agriculture, forestry, transport, and urban development. It should also

address the need for deeper understanding of the different dimensions of the global and regional policy-making process, including environment, economics, politics, technology, and communication. This knowledge building and management capacity must be supported by several specific efforts, including: (i) supporting research on the economics of climate change; (ii) guiding and supporting the development of GHG inventories; (iii) developing analytical instruments and training platforms that incorporate the latest developments in climate change knowledge; (iv) guiding and supporting the development of climate change vulnerability and climate risk assessments; (v) developing disaster risk management and reduction policies, and supporting relevant regional networks; (vi) partnering with the private sector to increase knowledge; and (vii) partnering with other regional development institutions and nongovernmental organizations to exchange experiences and knowledge.

B. Strengthening Institutions and Private and Public Capacity for Climate Change Action in the Region

The Bank will leverage its unique position in the region to help its clients strengthen their institutional frameworks, as well as public-private capacity

- 4.5 The IDB plays an important role in assisting governments in creating and consolidating the necessary capacities for policy development and implementation. It will support institution building and the development of technical capacity building through the promotion of policy frameworks that support the region's full development of its potential for climate mitigation and adaptation, through both public and private sector projects. The IDB has identified several lines of action to strengthen these efforts, including: (i) technical assistance and strengthening of government entities (lead climate change agencies and sectoral entities engaged in climate change issues); (ii) support in the development of national regulatory frameworks and policies that will facilitate investments in clean energy and vulnerability reduction; (iii) support of technical assistance and institutional strengthening programs at the subnational level (provincial, state, municipal); (iv) development and capacity building for institutions for sustainable markets and mobilization of private sector solutions; and (v) fostering the capacity and knowledge of private sector actors, including financial intermediaries.

C. Development of Guidelines to mitigate climate impacts of the Bank's Operations

The Bank will develop guidelines and criteria for mainstreaming climate change mitigation in its operations, and will develop the internal capacity for climate-proofing projects and performing comprehensive GHG reporting

- 4.6 The IDB's internal climate sustainability mainstreaming effort will pursue three main complementary components. First, the adoption a set of principles organized around the sectors with large carbon footprint and mitigation potential in the region (land conversion, power generation sector, industrial sector, waste management). Second, the development of specific guidelines for environmentally sensitive sub-sectors, such as coal-fueled power plants, other fossil fuel power plants, oil and gas mining, landfills, cement pulp and paper, chemicals, agriculture, transport and dams. Third, the IDB will develop cross-sectoral guidelines to create opportunities for 'climate-proofing' existing

and new projects, the use of carbon offsets, and the adoption GHG reporting mechanisms that will measure climate performance of the Bank's own investments and operations. Those guidelines will also seek to maximize the adaptation potential of such investments and operations.

D. Identification and Development of Lending and Technical Assistance Potential in Key Sectors

The Bank will increase its lending and technical assistance programs in climate-sensitive sectors.

4.7 The Bank will strengthen its commitment to climate change mitigation and adaptation by directing financial resources for lending and technical assistance activities in sectors where the Bank has comparative advantages for expanding its knowledge, skills and support to the region, including: land use/land use change and forestry, agriculture and animal husbandry, sustainable energy, sustainable transport, water resource management and sanitation, , and integrated urban development and climate-resilient cities. The following are some examples of policies instruments and initiatives that the IDB will utilize to promote clean investments in key sectors⁸.

- *Land use, land use change and forestry (LULUCF).* The Bank will support lending and technical assistance projects that reduce emissions by addressing the drivers of deforestation and forest degradation, including overcoming barriers and challenges in the areas of governance, market development for the public goods and services provided by forests, and carbon finance under regulated and voluntary markets. Some of the activities to be supported include: promotion of forest management practices for timber production; support for the effective establishment of protected areas, forest concessions, titling, and demarcation of indigenous land; provision of incentives for private individuals and firms to recover degraded forestlands and protect existing forests; establishment of forest monitoring systems to prevent or minimize the impact of forest fires and diseases; support for local communities, women's groups, and indigenous people in the development of ecosystems services for biodiversity and goods (timber and non-timber forest products); and support for development of private-public partnerships, including information sharing on carbon finance and voluntary and regulated carbon markets in forestry activities.
- *Agriculture and animal husbandry.* The IDB will support the development of national strategies for promoting sustainable agriculture systems, as well as investments: (i) to reduce the agriculture sector's vulnerability to climate change and increase adaptation capacity through the use of improved water management systems, erosion control and improved agricultural crops and livestock, and innovative insurance schemes to address consequences of climate variability and the devastating impacts of climate change; and (ii) to mitigate GHG through

⁸ A strategy to invest in climate change projects does not preclude investment by the Bank in non-climate change projects that meet the guidelines referred to in Section C.

improved fertilizer use and better methods of application, conservation practices on arable lands, carbon capture activities in well-managed pastures in grassland areas or other marginally deforested lands, and methane capture and bio-energy production on farms.

- *Sustainable energy.* The Bank will strengthen its sustainable energy portfolio, through lending and technical assistance in: (i) energy efficiency, starting with lower-net-cost interventions (“low-hanging fruit”), and including support for overcoming barriers that prevent the expansion of EE programs; (ii) renewable energy, (supporting mainly wind, solar, small hydros, geothermal, and bio-energy, while addressing the financial challenges (high up-front cost technology) and institutional barriers (regulatory)); (iii) biofuels, including the assessment of biofuel potential, feasibility studies, assessments of socio-economical and environmental sustainability, and identification of the most competitive feed stocks; and (iv) fuels switching projects where a high emitting fossil fuel is replaced with another lower emitting fossil fuel in energy generation .
- *Sustainable urban transport.* The Bank will support sustainable transport projects that reduce or avoid travel needs through measures such as better integration of land use and transport policies, demand management measures, regulations, information and technology. This includes systems that promote a shift from private vehicles to mass transit systems (BRT or rail) and/or to nonmotorized transport (footpath and bike networks, bicycle taxis, etc.). Improvements in transport efficiency through application of fuel economy standards, new technologies, better practices on the part of private transport operators, and capacity building will also be supported.
- *Water resource management and sanitation.* The Bank will support technical assistance and investment programs that mainstream climate priorities in water and sanitation sector operations, including: (i) climate adaptation measures for reducing risk in water and sanitation projects, including assistance for building capacity to assess vulnerability and risk associated with climate variability and change, investments in climate-proof physical infrastructure (structural flood defenses and drainage), better water management practices (conservation and recycling), development of climate adaptation programs and climate/ disaster risk management schemes, and programs to raise institutional consciousness among regulators in order to incorporate climate adaptation requirements in public and private utilities; and (ii) emission mitigation measures like increasing the operating energy efficiency of water and sanitation utilities, passive or active methane capture that minimize GHG emissions in landfills and wastewater treatment plants, and new recycling and composting initiatives.
- *Integrated urban development and climate-resilient cities.* The Bank will develop an Integrated Urban Development and Climate Resilient Cities (IUDCRC) Program to support national and local governments, as well as urban communities, organizations, and private sector entities operating in urban areas, in

the development and implementation of policies and programs that promote integrated and sustainable urban and environmental management towards GHG emission reduction and climate resilience. The activities and investments to be supported include the promotion of: (i) urban-planning schemes (land use/zoning, land rights, etc.) that take climate resilience and disaster risk reduction into account; (ii) building designs and standards that support the capacity of buildings to withstand extreme weather; (iii) building standards and materials that have an impact on the efficient use of energy (energy efficiency programs); (iv) comprehensive and multi-sector approaches in land use planning, aiming at reducing the carbon footprint of the cities; (v) integrated urban management schemes that will link the provision of urban services (energy, transport, water and sanitation) to GHG mitigation objectives; and (vi) green housing programs, including support for “green mortgage” programs and direct engagement of private sector mortgage originators.

E. Scaling Up Investments, Addressing Financial Gaps and Leveraging Private Sector Investments

The Bank will continue to innovate and develop financial mechanisms that will allow for the scaling up of investments, addressing of financial gaps and leveraging private sector investments.

- 4.8 The Bank will continue developing the necessary mechanisms for scaling up investments, drawing upon the full range of resources required, and focusing on key priority sectors highlighted above. In recognition of the scale and urgency of climate change challenges, the IDB will focus its attention on how to ensure the enlistment of public and private sector financing, at the international as well as domestic level, with each complementing and reinforcing the other. Toward this end, a private sector climate change program will identify the needs of private sponsors and financiers for the development of financial and other tools to catalyze investment by the private sector. The Bank will continue working to fund climate change-related initiatives across IDB operations through a range of existing instruments—technical cooperation, grants for small capital investments in clean technology and knowledge and capacity-building products, as well as climate change policy-based loans and leveraging of conditional credit lines for investment projects—along with private sector-targeted instruments such as loans, guarantees, and other risk-sharing mechanisms. Financial resources will be mobilized from a number of sources: SECCI funds; resources from CIF funds; the GEF; the Kyoto Protocol and new UNFCCC mechanisms emanating from the Copenhagen Accord. The Bank will pursue increased access to the Adaptation Fund as a source of financing for mainstreaming adaptation into countries’ national and sectoral plans. It will also work closely with the international community as part of the collective commitment to support projects and programs addressing mitigation priorities in LAC, including Reducing Emissions from Deforestation and Forest Degradation (REDD and REDD-plus).

V. RESULTS FRAMEWORK

5.1 A preliminary Results Matrix (RM) for the CC Strategy is included in this profile. The present RM includes at the highest level the aggregate results that are already included in the Bank's Proposed Results Framework for the General Capital Increase (GN-2518-20, Annex 1). At the intermediate level, we seek outcomes that are directly related to outputs to be generated by the Strategy during its execution period. Those outcomes include a measure of volume, a measure of results achievement and a measure of client satisfaction. Output measures are specific to each of the five proposed strategic areas. Specific metrics, as well as baseline and target values will be developed alongside the strategy and after the Board reviews the criteria and measures proposed in this profile.

Table 1. Draft Results Framework for Climate Change Strategy		
Bank's Result Framework Goals	Baseline	Targets
Lending program indicators		
1.3 Lending to support climate change initiatives, renewable energy and environmental sustainability	5%	25%
Regional Development Goals		
Priority Sector 5 - Protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security		
2.5.1 Stabilization of CO2 equivalent emissions (metric tons per habitant). Excludes emissions from land use (2004).	2.4	TBD
2.5.2 Countries with planning capacity in mitigation and adaptation of climate change (2009)	3	TBD
2.5.3 Annual reported economic damages from natural disasters (including geophysical events such as earthquakes and volcanic eruptions)	\$7.7 b	TBD
2.5.4 Proportion of terrestrial and marine areas protected to total territorial area (%)	21	TBD
Intermediate Outcomes of Climate Change Strategy		
1. Lending for CC adaptation and mitigation measures increases	TBD	TBD
2. Satisfactory Results from CC lending from new Project Monitoring Reports (PMR)	TBD	TBD
3. Clients perception of KCPs and IS is positive and increasing over the strategy period (measured through client feedback system)	TBD	TBD
Outputs of Climate Change Strategy		
A – Strengthening Knowledge base – Adaptation and Mitigation		
A.1 # of KCPs approved for adaptation priorities	TBD	TBD
A.2 # of KCPs approved for mitigation priorities	TBD	TBD
A.3 Results reported from KCPs on adaptation priorities	TBD	TBD
A.4 Results reported from KCPs on mitigation priorities	TBD	TBD
B – Strengthening Institutional (IS) Capacity for Climate Change		
B.1 Components & stand alone loans that include institutional strengthening in CC	TBD	TBD
B.2 Components and stand alone loans that strengthen regulatory frameworks in CC	TBD	TBD
B.1 Components and stand alone loans that include IS in CC at sub national levels	TBD	TBD
C – Guidelines to Mitigate CC of Bank's Operations		
C.1 # of Guidelines approved and operational in sensitive sub sectors	TBD	TBD
C.2 # of cross-sectoral guidelines to facilitate "climate-proofing"	TBD	TBD

D – CC Adaptation and Mitigation Lending in climate sensitive sectors		
D.1.1 Adaptation results from agriculture and animal husbandry programs	TBD	TBD
D.1.2 Mitigation results from agriculture and animal husbandry programs	TBD	TBD
D.2.1 Adaptation results from land use, land use change and forestry (LULUCF) programs	TBD	TBD
D.2.2 Mitigation results from land use, land use change and forestry (LULUCF) programs	TBD	TBD
D.3.1 Adaptation results from sustainable energy programs	TBD	TBD
D.3.2 Mitigation results from sustainable energy programs	TBD	TBD
D.4.1 Adaptation results from sustainable transport programs	TBD	TBD
D.4.2 Mitigation results from sustainable transport programs	TBD	TBD
D.5.1 Adaptation results from water resource management & sanitation programs	TBD	TBD
D.5.2 Mitigation results from water resources management & sanitation programs	TBD	TBD
D.6.3 Adaptation results from Integrated urban development/ climate-resilient city programs	TBD	TBD
D.6.4 Mitigation results from Integrated urban development/ climate-resilient city programs	TBD	TBD
E – Scaling up investments and leveraging Private Sector Investments		
E.1 Total NSG lending in Climate Change activities	TBD	TBD
E.2 CC results from NSG lending	TBD	TBD
E.3 Total climate change international funds accessed by LAC countries through IDB	TBD	TBD
E.4 CC results from international funds	TBD	TBD

VI. ROADMAP FOR THE DEVELOPMENT OF THE CLIMATE CHANGE STRATEGY

- 6.1 *Internal coordination and development of the CCS.* Drafting of the CCS involves a coordinated effort by the entire IDB. The process of development of the CCS and submission to the Board will be led by VPS, and coordinated by INE/INE., in close collaboration with VPC, VPP, SPD, and ICF. As part of this CCS process, VPP, with support from SECCI, will coordinate the development of a private sector climate change program.
- 6.2 *Coordination and consultation with member countries, civil society, the donor community and international organization.* The Bank will seek feedback from regional and extra-regional stakeholders in accordance with Bank policy. VPS requests authorization to begin a public consultation process based on the document, to last no fewer than 30 calendar days. It will also seek feedback through dialogues and discussions that engage international entities, private sector and governments, such as the Bank's Regional Policy Dialogue Meetings, the preparatory meetings towards the UNFCCC Conference of the Parties in Mexico (COP16) and others.
- 6.3 *Timeframe for development of the CCS and approval.* The CCS Profile will be submitted to the IDB Executive Board for consideration before the IDB Governors meeting in Cancun, Mexico (March 2010). The CCS document will be prepared between the months of April and July, 2010. The IDB administration will seek approval of the CCS Document by the IDB Executive Board in August, 2010.