

Technical Cooperation Abstract

I. Basic Project Data

▪ Country/Region:	Brazil
▪ TC Name:	Strengthening Funding for Mitigation in Brazil Based on Results-Oriented Management
▪ TC Number:	BR-T1310
▪ Team Leader/Members:	Thiago Mendes (CCS/CBR) team leader, Anne Gander (CCS/CBR)
▪ Taxonomy:	Client Support
▪ Reference to Request ¹ : (IDB docs #)	38963066
▪ Date of TC Abstract:	08/22/2014
▪ Beneficiary:	The Republic of Brazil through its Ministry of Environment
▪ Executing Agency and contact name :	IDB; Thiago Mendes (CCS/CBR)
▪ IDB Funding Requested:	US\$600,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes execution period):	36 months (30 months)
▪ Required start date:	October 10, 2014
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	INE/CCS
▪ Unit of Disbursement Responsibility:	CCS/CBR
▪ Included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Protect the environment, respond to climate change, promote renewable energy and ensure food security.

II. Objective and Justification

- 2.1 Due to the global financial and economic crisis, access to capital became more difficult, discouraging investments in general, including investments in low-Greenhouse Gas emissions initiatives. In spite of that, to prevent dangerous anthropogenic interference with the climate system, the United Nations Framework Convention on Climate Change (UNFCCC) has agreed that actions must be taken to keep global temperature from rising more than 2 degrees Celsius (2°C) above the preindustrial levels. Meeting the 2°C target requires significant global efforts to reduce Greenhouse Gas (GHG) emissions that demand support to fully implement appropriate mitigation policies constantly and consistently.
- 2.2 To contribute with the global efforts, Brazil has approved the Law 12.187/2009 that adopts a national voluntary commitment aimed at reducing by 36.1% and 38.9% its projected emissions by 2020². To achieve its commitment Brazil had defined a series of actions and sectoral plans that were communicated to the UNFCCC. Such actions will demand a substantial amount of funding. The main fund to support mitigation actions In Brazil is the National Fund on Climate

¹ A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

² To see the law in Portuguese please see the following link: <http://www.planalto.gov.br>

Change (*Fundo Clima*). When the Fund was established (2009), its main source of funds was the financial compensation revenues from the oil industry which legally-bounded a percentage to be transferred to the Ministry of Environment, making *Fundo Clima* a pioneer case. However, after a long public debate, the rules about the transfers of the oil industry revenues were modified³ and *Fundo Clima* will compete for the resources of the new Oil Social Fund and will seek for additional sources to fulfill its increasing demands for mitigation funding.

- 2.3 In parallel, under UNFCCC guidelines (2012 & 2013) Brazil had agreed with international measurement, reporting and verification (MRV) frameworks, which will increase the transparency on the implementation of its voluntary actions. During the last five years *Fundo Clima* was able to disburse above BRL\$600 million, using an unassuming MRV system to monitor the mitigation results of the supported projects.
- 2.4 The context considered above indicates an increasing need to integrate climate finance and mitigation performance-based results in Brazil to make low-emission investment decisions in a sustainable way.
- 2.5 Hence, the objective of this technical cooperation (TC) is to support the Brazilian Government, through the Ministry of Environment (MMA) to strengthen the efficiency and effectiveness of mitigation actions funding in Brazil by: (i) performing assessments on the current financial arrangements and MRV systems used by Brazil and *Fundo Clima*, and compare them with international best practices and UNFCCC MRV requirements; (ii) performing assessments on the needs and gaps from financial commitments, domestic mitigation actions and contributions assumed by Brazil and by other relevant countries (pre-2020 and post-2020); and (iii) preparing a full proposal for raising funds to develop complementary actions to this TC.
- 2.6 Given that this TC is directly linked to climate change mitigation and adaptation, it is aligned with the objectives outlined in the General Capital Increase on the Resources of the Bank's (GCI-9), as one of them relates to a substantial increase in the support to climate change projects. This project is also aligned with the IDB Country Strategy with Brazil 2012-2014 (GN-2662-1).

III. Description of Activities and Outputs

- 3.1 The activities of this TC are aimed at: (i) performing an assessment on the existent financial arrangements and MRV systems used by Brazil and its *Fundo Clima* in comparison with international best practices and UNFCCC MRV requirements; (ii) performing an assessment on the needs and gaps of actions and contributions carried out by Brazil and other countries; and (iii) preparing a full proposal to raise funds to facilitate the development of complementary actions to this TC, such as the design of a long-term sustainability strategy for *Fundo Clima* and the definition and implementation of a supportive policy framework to reduce the costs of mitigation based on the assessment of the pre-2020 and post-2020 needs and gaps.
- 3.2 **Component 1.** This component encompasses two international workshops and two different studies carried out by individual consultants in order to assess the current financial arrangements and MRV systems used by Brazil and *Fundo Clima* to analyze and support projects in comparison with international best practices and UNFCCC requirements. The workshops will provide a space to share knowledge about international best practices on climate finance and MRV requirements. The first study will entail the development of a baseline scenario for the MRV system of support, as well as for the MRV system of mitigation

³ 100% of the royalties and 50% of the special participation shall then be transferred to Educational activities.

actions vis-à-vis the UNFCCC requirements. The second assessment can be defined as a “cost-efficiency” analysis of *Fundo Clima* in comparison with international best practices for climate finance. It will lead to the baseline of the financial arrangements under *Fundo Clima*, including the assessment of mitigation results achieved since the creation and operationalization of the fund.

- 3.3 **Component 2.** This component will finance the development of a study that will reveal the main gaps and needs for actions and contributions assumed by Brazil and other countries referring to the period of pre-2020 and post-2020. The results of the assessment, the comparison between real actions and committed ambitions, may be used to support the definition of a potential supportive policy framework to reduce the economic costs of mitigation policies. In addition, as part of this component, a workshop will be carried out to discuss the study’s results and challenges with national and international experts.
- 3.4 **Component 3.** This component will finance consultancies for the identification of potential funding sources and strategies to ensure the continuation of the project, as well as for the preparation of a full and consistent project proposal aimed at exploring the possibility of further developing and complementing the activities carried out in the context of this TC (i.e. the design of a proposal for long-term sustainability strategy to *Fundo Clima*).

IV. Budget

- 4.1 The total budget for this TC is US\$600,000 which will be utilized according to the table below.

Indicative Budget (in US\$)

Component	Description	IDB Funds	Counterpart	Total
Component 1	Assessment of existent financial arrangements and MRV systems	325,000	0	325,000
Component 2	Assessment of needs and gaps of actions and contributions pre and post-2020	225,000	0	225,000
Component 3	Preparation for long term funding achievement	50,000	0	50,000
Total		600,000	0	600,000

V. Executing Agency and Execution Structure

- 5.1 The IDB will execute this TC upon the request from the Brazilian Environment Ministry. This arrangement is justified given the short timeframe available to prepare the project document. On the other hand, the Climate Change and Sustainability Division of the Bank (INE/CCS) has a specialist in Brazil that is available to support and provide overall assistance in monitoring and coordinating the activities. As such, the Climate Change and Sustainability Division at the Brazil’s Country Office (CCS/CBR) will have the principal technical and fiduciary responsibility.

VI. Project Risks and Issues

- 6.1 The risks associated to this TC are low. The main risks related to the execution could relate to the quality of deliverables to be developed. This will be mitigated by peer review and close supervision of the activities by CCS and the Brazilian Environment Ministry.

VII. Environmental and Social Classification

- 7.1 Category C as it is a low risk TC.