Sustainable Development Bonds

Climate Action
Focus Area:
IDB GROUP CLIMATE ACTION IN LATIN AMERICA AND THE CARIBBEAN

Due to its geographic location and socio-economic context, the Latin America and Caribbean region is vulnerable to climate change impacts. By 2050, rising sea levels, temperature increases and changes in rainfall patterns will result in an estimated annual cost of around 2-4 percent of the region’s GDP.

All IADB’s 26 borrowing member countries have signed Nationally Determined Contributions (NDCs) as part of the Paris Agreement. The IADB works in partnership with its members to help them achieve their targets.

The IADB Group has been increasingly mainstreaming climate change in its portfolio to support low-carbon and climate-resilient development and meet the 30 percent climate finance target by 2020. Support includes backing investments in renewable energy, energy efficiency, low-carbon transportation, sustainable urban development and other climate considerations throughout the Group’s portfolio.
Challenges:
IDB STRATEGY AND SDG 13

Significant levels of financing are needed to fulfill commitments made to the 2015 Paris Climate Change Agreement.

In 2019, the IDB Group financed over **USD5 billion** in climate change related activities benefiting Latin America and the Caribbean—through loans, grants, technical cooperation, guarantees and equity investments accounting for 30% of the total IDB Group annual approvals.

- **USD2.6 billion** in Climate Mitigation Finance towards efforts to reduce or capture greenhouse gas emissions.
- **USD1.6 billion** in Climate Adaptation Finance invested in the change of processes aimed at lowering the current and expected risks or vulnerability posed by climate change.
- **USD0.9 billion** provided towards projects with simultaneous mitigation and adaptation benefits.
Research and publications undertaken by the IDB helps to identify and prepare investment loans focused on climate action.

Click on the image to access the publication
Salvadorian coffee is produced in agroforestry systems known as coffee forests. These ecosystems represent 22% of the country’s forests and are known for their rich biodiversity. They also provide crucial ecosystem services such as carbon sequestration, water regulation, aquifer recharge, and erosion control. In recent years, however, the range of the coffee forests has been reduced dramatically (by about 12%) and replaced with single crop systems that can be harmful to the environment.

Climate change is among the main causes of the decline in coffee forests. Climate change has affected coffee productivity through changes in temperature and rainfall that disrupt the optimal conditions for coffee production. Climate change has also increased the prevalence of plagues and diseases such as coffee rust and coffee berry. In the 2012–2013 agricultural season, the country experienced an outbreak of coffee rust that affected 74% of coffee areas, reducing the harvest by 54% and employment in the coffee sector by 59%. This all contributes to El Salvador’s high vulnerability to climate change.

To design this IDB project, a climate change model was applied to a sample of more than 10,000 coffee farms to identify areas at risk of becoming unsuitable for growing coffee. The analysis showed that by 2050 an estimated 70% of farms will require significant changes in their production systems to remain suitable for growing coffee (systemic adaptation) and 16% will need to completely shift to growing other crops (transformative adaptation). Furthermore, the analysis suggests that the altitude suitable for growing coffee will increase from 825 to 958 meters above sea level by 2050.

The project will assist smallholder farmers in areas that will lose suitability for coffee growth to adapt by using agroforestry systems—improving farmers’ income security and maintaining the ecosystem services provided by the coffee forests.
Project: Building Coastal Resilience in the Bahamas

CLIMATE ACTION IN LATIN AMERICA AND THE CARIBBEAN

Year Approved: 2017
IDB Financing: $35 million
Country: The Bahamas

Through the Climate Change and Sustainable Landscapes technical cooperation, the IDB is assisting decision makers from the public and private sectors in coping with the challenges of climate change for the management, use, and conservation of sustainable landscapes. The work is focused on (i) strengthening capacity for planning and designing approaches that promote sustainable landscapes and (ii) supporting technical inputs for future investment plans under NDCs.

IDB-financed research conducted at Stanford predicts that degradation or loss of protective ecosystems (e.g. coral reefs and mangrove forests) could lead to a tripling of storm-related damages. The Bahamas is using these findings to identify key areas where investment in natural ecosystems could support a more storm-resilient future.

The IDB is financing a $35 million Climate Resilient Coastal Management and Infrastructure Program, which aims to improve coastal protection infrastructure (including nature-based solutions) and integrated management of the coast. Specifically, the program will finance (i) science-based shoreline stabilization and coastal flooding control measures in East Grand Bahama, Central Long Island, and Nassau/Junkanoo Beach in New Providence; (ii) restoration of mangroves and reefs in Andros; and (iii) institutional strengthening for coastal risk management. The program seeks to reduce economic losses due to natural disasters and increase local economic activity.
The border integration project is financing improvements to the remaining 52-kilometer section of Axis Road 4. It will contribute to strengthening the economies of southern and southeastern Ecuador and northern Peru, improving trade between the two countries, and addressing social accessibility needs for isolated populations. It is also emblematic for complying with the 1998 peace accord.

Ecuador and Peru are exposed to multiple natural hazards, including earthquakes, tsunamis, floods, landslides, droughts, and volcanic eruptions. The two provinces in the project intervention area—Loja and Zamora Chinchipe—are especially susceptible to landslides due to intense rain. More than 1,600 landslides were recorded between 2000 and 2018, a number that is expected to increase because of climate change. As a consequence of the landslides, the existing road is in very bad condition, decreasing its reliability and increasing travel times and maintenance costs.

At the request of Ecuador’s Ministry of Transportation and Public Works, a Study on Disaster Risk Management including Effects of Climate Change was conducted to identify critical areas at risk of landslide and design structural risk-reduction measures, taking into account the IPCC’s future climate change scenarios. As a result of the study, 83 critical points were identified under several climate change scenarios, at which partial or total closure of the road could occur due to the landslides. The study proposed several types of structural slope stability measures, including green-infrastructure measures such as forestation and reforestation of critical areas.

The study also proposes piloting an Early Warning System and an Emergency Plan for landslides, which will apply innovative approaches including using drones to monitor hazards, algorithms to detect areas at risk of future landslides, and smartphones to communicate warnings.
SDG 13 IDB Corporate Results Framework Indicators

**IDB AND THE SUSTAINABLE DEVELOPMENT GOALS**

- **1,144,784 beneficiaries**
  - Improved management and sustainable use of natural capital

- **182,931 households**
  - With new or improved access to electricity supply

- **10,362,036 hectares**
  - Terrestrial and marine areas with improved management

- **12,156,188 Metric tons CO2**
  - Reduction of emissions with support of IDBG financing

- **20,197 Households**
  - Protected from flood risk

- **100%**
  - Installed power generation capacity from renewable sources

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1 Cumulative data since 2016
The Development Effectiveness Overview (DEO) is an annual report produced by the IDB group to show the results and impact of its work in Latin America and the Caribbean.

In the annual Sustainability Report, IDB shares its approach to sustainability and showcase some of its projects, initiatives and research.

The Global Reporting Initiative (GRI) sets global standards for sustainability reporting, relying on best practices for reporting on a range of economic, environmental and social impacts.

Click on the image to access the publication
Emerging and Sustainable Cities Program

CLIMATE ACTION IN LATIN AMERICA AND THE CARIBBEAN

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