

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Regional Triangular collaboration assessment with China on Green Finance for Latin America and the Caribbean
▪ TC Number:	RG-T3400
▪ Team Leader/Members:	NETTO DE A. C. SCHNEIDER, MARIA E. (IFD/CMF) Team Leader; NIETO ITUARTE, ENRIQUE (IFD/CMF) Alternate Team Leader; ARAUZ HERRERA, ALISON (IFD/CMF); BRALY-CARTILLIER, ISABELLE FREDERIQUE FRA (IFD/CMF); VASA, ALEXANDER (IFD/CMF); VALENCIA MARIN, VERONICA (IFD/CMF); ARROYO, JOHAN FLOYD (IFD/CMF); FRISARI, GIOVANNI LEO (CSD/CCS); JIMENEZ DE ARECHAGA, MARIA DEL PILAR (LEG/SGO); BERNEDO, CECILIA (IFD/CMF)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	26 Jul 2019
▪ Beneficiary:	National Development Banks (NDBs) or Financial Markets Regulators
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$200,000.00
▪ Local counterpart funding:	US\$40,000.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 The technical cooperation aims at supporting the institutional capacity of national development banks (NDBs) and financial market regulators of Latin America and the Caribbean (LAC) regarding the development and implementation of financial systems - regulation, capital markets, financial instrumentation and risk sharing mechanisms to promote green finance. It aims, in particular, to support LAC institutions in assessing and piloting opportunities for collaboration for financing green investment activities between Chinese Public Financial Institutions and NDBs from LAC as well as to facilitate the issuance of Green Panda Bonds
- 2.2 The IDB supported NDBs to raise commercial funds at adequate maturities in both local and international capital markets, through the issuance of green or sustainable bonds. The demand for this continued support has been identified during the Green Finance Knowledge Collaboration week during 26-30 November 2018 in Beijing and Shanghai, China. The proposed program is highly aligned with the needs of the respective country beneficiaries to address investment and financing gaps.

III. Description of Activities and Outputs

- 3.1 Activity 1. Support for up to two NDBs in the assessment and issuing of Green Panda Bonds. Panda Bonds are debt instruments issued by non-Chinese issuers in the Chinese Market. The IDB has, in the framework of RG-T3045 Building Green Financial Instruments and Systems in LAC from the Experience of China, published a handbook on the Chinese regulations to issue a Green Panda Bond. The TC would identify, and support NDBs interested in issuing Green Panda Bonds in the Chinese market. The support will be based on the methodology developed in previous technical assistance projects including RG-T2720 and RG-T3045 adapted to the Panda Bond Framework – portfolio identification, preparation of the framework, support to financial structuring including assessment of credit enhancement, co-finance/anchor investment and guarantee opportunities, second party review and certification, promotion and roadshow. In addition, the technical cooperation will support the NDBs in financial structuring aspects of the bond issuance and aggregation of portfolios. Expected outputs are two portfolio assessments and up to one completed issuance in the Panda Bond Market.
- 3.2 Activity 2. Support the IDB assessment of potential of financial and technical collaboration with Chinese funds and Chinese Public Development Finance Institutions for financing a future project pipeline in LAC via NDBs with a sovereign guarantee. The primary potential partners are the China Development Bank and the Export-Import Bank of China, and NDBs from LAC. The TC will identify and assess concrete technical assistance and financial collaboration opportunities, including co- and parallel financing, at the geographic and sectoral level between Chinese DFIs, Chinese thematic South-South Funds, NDBs in LAC and the IDB, in line with the mandate of each institution. The activity supports the technical assessment and interaction between Chinese Public Development Finance Institutions, Chinese funds, NDBs and IDB with the perspective to identify and co-finance project pipelines or to support project structuring via technical assistance in LAC. The output of this activity is an assessment report about collaboration opportunities, including financial and non-financial conditions of collaboration and concrete recommendations for NDB clients.
- 3.3 Activity 3. Support up to 2 supervisors or regulators of securities markets in LAC to assess the potential implementation of national scale Green Finance guidelines for credit and/or securities markets, learning from the experience of Chinese regulators under the Green Credit Policy and the Green Bond Catalogue. The expected output of this activity is a regulatory cost-benefit assessment, a knowledge exchange with relevant Chinese counterparts and outreach to respective relevant stakeholders in LAC.
- 3.4 Activity 4. The last activity enables for knowledge sharing activities to share the results and publications of the TC in virtual webinars and in-person events.
- 3.5 The proposal focuses on green finance for mitigation, environmental protection, adaptation and land use. The selection of NDBs and regulators to benefit from institutional capacity will be based upon demand and based on existing IDB operations and the institutional capacity of public banking institutions to prepare and structure green projects, strategies. Beyond these criteria, decisions will be made on a first come first served basis
- 3.6 **Component I: Support for up to 2 NDBs in the assessment and issuing of Green Panda Bonds.** Application of the Green Panda Bond Handbook and Green Bond Methodology
- 3.7 **Component II: Support of up to 2 NDBs to assess the potential of financial and technical collaboration with Chinese funds and Chinese Public Development Finance Institutions.** Identification of Blending and co-financing opportunities

3.8 **Component III: Support two supervisors or regulators of securities and financial markets to assess Green Finance guidelines implementation.** Assessment study of potential cost-benefits of Green Finance Guidelines

3.9 **Component IV: Knowledge Sharing.** Capacity building events and publications

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Support for up to 2 NDBs in the assessment and issuing of Green Panda Bonds	US\$100,000.00	US\$20,000.00	US\$120,000.00
Support of up to 2 NDBs to assess the potential of financial and technical collaboration with Chinese funds and Chinese Public Development Finance Institutions	US\$35,000.00	US\$7,000.00	US\$42,000.00
Support two supervisors or regulators of securities and financial markets to assess Green Finance guidelines implementation	US\$45,000.00	US\$9,000.00	US\$54,000.00
Knowledge Sharing	US\$20,000.00	US\$4,000.00	US\$24,000.00
Total	US\$200,000.00	US\$40,000.00	US\$240,000.00

V. Executing Agency and Execution Structure

5.1 The project will be executed by IFD/CMF in cooperation with CSD/CCS for Activity 3.

5.2 Given the objective of the TC and the previous experience with RG-T3045, it seems appropriate for the IDB to directly executes this TC

VI. Project Risks and Issues

6.1 The main risks associated with this TC are the potential change in priorities by stakeholders due to a reversal of market conditions, regulatory conditions or conditions of cooperation. To mitigate that risk, the TC will be closely monitored and accompanied by a technical advisor and the TC will further foster existing relationships with stakeholders in LAC and in China.

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "C".