

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BARBADOS/CCB - Caribbean Group
▪ TC Name:	Strengthening Fiscal Policy for Climate Change Actions in Barbados
▪ TC Number:	BA-T1102
▪ Team Leader/Members:	LOO-KUNG AGUERO, RUDY JOEL (IFD/FMM) Team Leader; DELGADO, C. RAUL (CSD/CCS) Alternate Team Leader; ROMAN SANCHEZ, SUSANA (IFD/FMM); TORRES PELAEZ, DANIELA (IFD/FMM); MARCIO ALVARENGA (IFD/FMM); BUTTAZZONI, MARCO (IFD/FMM); REYES-TAGLE, GERARDO (IFD/FMM); DOHERTY BIGARA RODRIGUEZ, JENNIFER (CSD/CCS); SARA VILA SAINTETIENNE (LEG/SGO); PAULA GAMBOA LEON (LEG/SGO); ASTUDILLO, KAREN (IFD/FMM); HARPER, LESLIE ELIZABETH (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	31 Oct 2023
▪ Beneficiary:	Barbados
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$500,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/FMM - Fiscal Management Division
▪ Unit of Disbursement Responsibility:	CCB/CBA - Country Office Barbados
▪ 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 objective of this Technical Cooperation is to help the Ministry of Finance, Economic Affairs and Investment (MFEI) of Barbados incorporate climate action into its fiscal policy and management. This TC will finance three activities: (i) the creation of a strategic fiscal agenda that takes into account climate-related fiscal risks; (ii) the integration of climate action into fiscal policy and management, as well as the improvement of the fiscal governance structure associated with climate action; and (iii) the dissemination of knowledge and the sharing of best practices to enhance governance.
- 2.2 The adoption of the 2030 Agenda for Sustainable Development and the Paris Agreement (PA) established an unprecedented commitment to change current economic and social models towards sustainable, resilient, and zero-carbon development. The adoption of the PA states that signatory countries should submit their commitments to limit global temperature rise to below 2°C and continue efforts to limit that temperature rise to 1.5°C, in accordance with their national circumstances and priorities. These commitments are included in the Nationally Determined Contributions (NDCs), which set out adaptation and mitigation actions against climate

change.

Barbados plays a crucial and forceful climate change role, especially as it seeks to enhance the space and climate finance access for vulnerable Small Island Developing States (SIDS). Their historical commitment - the United Nations Framework Convention on Climate Change (UNFCCC) ratification in 1994 and the Paris Agreement in 2016 – was reinforced with the submission of their Updated Nationally Determined Contribution (NDC) in 2021, which significantly increased the ambition, including the aspirational goal to achieve a fossil-fuel-free economy and aiming for a 70% reduction in Greenhouse Gas (GHG) emissions, economy-wide, by 2030. As for adaptation and resilience, the NDC presents a programmatic approach set by its Roofs to Reefs Program (R2RP), which is a holistic approach that seeks to improve the standard of living and quality of life of the most vulnerable segments of the population of Barbados, by improving social wellbeing of individuals and communities and significantly reducing the damage to property, loss of life, and the costs incurred after a severe weather event, in key sectors such as: shelter, water, energy, waste, land use and ecosystems. Furthermore, the Government of Barbados has set an international roadmap with the Bridgetown Initiative, calling for a reform of the current global financial system to enable the mobilization of more private financing for the climate transition and ensure that key international actors provide the financial and technical actions needed to address the climate crisis, with a focus on developing states struggling with fiscal space and present climate impacts. Finally, Barbados is under an IMF program supported by the EFF and RSF arrangements approved on December 2022, in an amount equivalent to SDR 85.05 million (about US\$114 million) or 90 percent of the quota, and SDR 141.75 million (about US\$190 million) or 150 percent of the quota, respectively (see Press Release No. 22/417).

III. Description of Activities and Outputs

- 3.1 **Component I: Development of a comprehensive strategic framework for fiscal planning and risk management for climate change.** This component aims to improve macro-fiscal planning and management in the areas related to climate change. This is done through (i) the update of a long-term climate strategy (LTC) aligned with the Updated NDC and other relevant existing policies, and (ii) assessing, identifying, quantifying, and managing macro-fiscal risks of the transition to a decarbonized economy
- 3.2 **Component II: Component II: Development and implementation of green fiscal management tools/methodologies.** This component will increase efficiency through: (i) guidelines to implement the Climate Budget Tagging Methodology; (ii) sectorial manuals for the implementation of their Sustainable Public Procurement Policy; (iii) revision of the tax incentives under sustainability criteria.
- 3.3 **Component III: Dissemination of knowledge and training.** . This component will: (i) publish and disseminate technical documents; and (ii) conduct training activities to enhance technical and institutional capabilities.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Development of a comprehensive strategic framework for fiscal planning and risk management for climate change.	US\$100,000.00	US\$0.00	US\$100,000.00

Component II: Development and implementation of green fiscal management tools/methodologies	US\$310,000.00	US\$0.00	US\$310,000.00
Dissemination of knowledge and training.	US\$90,000.00	US\$0.00	US\$90,000.00
Total	US\$500,000.00	US\$0.00	US\$500,000.00

V. Executing Agency and Execution Structure

- 5.1 At the request of the beneficiary, this TC will be executed by the Bank through the Fiscal Management Division (IFD/FMM), in coordination with the Climate Change Division (CSD/CCS), with their specialist, Jennifer Doherty-Bigara in the Country Office in Barbados (CCB/CBA).
- 5.2 Consistent with the Procedures for Processing of Technical Cooperation Operations (OP 619-4; Annex II-2.2) in terms of recognition of the highly specialized technical, methodological, and conceptual knowledge that the study topics require, as well as the need to know best international practices in the matters addressed by the TC, taking into account that the Bank has the technical experience, networks of experts and knowledge of experiences that justify said request, as well as greater agility in the process of contracting consulting services.

VI. Project Risks and Issues

- 6.1 Risks for this project are low due to the direct request by the Government of Barbados for this client support Technical Cooperation. Nonetheless, an important risk to project execution includes the identification and selection of adequate human resources within the various beneficiary institutions assigned with sufficient time to strengthen capacity. Some mitigation efforts could include recruiting new local human talent and retaining them within the beneficiary institutions by providing adequate incentives and capacity building to fill gaps within the executing agency over the life of the project, mitigating the current unavailability of human resources.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).