

TC Document

I. Basic Information for TC

▪ Country/Region:	BARBADOS
▪ 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; Marcio Alvarenga (IFD/FMM); Torres Pelaez, Daniela (IFD/FMM); Doherty Bigara Rodriguez, Jennifer (CSD/CCS); Buttazzoni, Marco (IFD/FMM); Paula Gamboa Leon (LEG/SGO); Roman Sanchez, Susana (IFD/FMM); Astudillo, Karen (IFD/FMM); Reyes-Tagle, Gerardo (IFD/FMM); Harper, Leslie Elizabeth (IFD/FMM); Sara Vila Saintetienne (LEG/SGO); Blenman, Shamar (CCB/CBA)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	31 Oct 2023.
▪ Beneficiary:	Barbados
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Fostering Fiscal Policy for Climate Change in Latin America and the Caribbean(FFP)
▪ IDB Funding Requested:	US\$500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	May 2024
▪ 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):	Yes
▪ Alignment to the IDB Group Institutional Strategy: Transforming for Scale and Impact (2024-2030)..	Institutional capacity and rule of law; Environmental sustainability

II. Objectives and Justification of the TC

- 2.1 **Objective.** 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 considers 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 **Justification.** 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.

- 2.3 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 the 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.
- 2.4 Finally, Barbados is under an International Monetary Fund (IMF) program supported by the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) arrangements approved in December 2022, in an amount equivalent to SDR85.05 million (about US\$114 million) or 90% of the quota, and SDR141.75 million (about US\$190 million) or 150% of the quota, respectively (Press Release No. 22/417).
- 2.5 **Integration of climate action into fiscal policy and management.** At the international level, the MFEI is a member of the Regional Climate Change Platform of Ministries of Economy and Finance of Latin America and the Caribbean (LAC), where it has participated in discussions supporting the prioritization of relevant issues for the regional climate fiscal agenda, as well as in institutional capacity building activities.
- 2.6 Barbados has committed to an ambitious climate change agenda, and under the IMF's RSF developed a sustainable public procurement policy and a methodology climate budget tagging with the support of the IDB and seeks their sectoral operationalization. Furthermore, they have improved their disaster risk management framework and are addressing key regulatory gaps in battery storage to facilitate investments in renewable energy, also with the support of the IDB. However, Barbados needs to strengthen in a transversal manner institutions to incorporate climate change commitments into their long-term investments.
- 2.7 **Beneficiary.** The beneficiary of this TC is Barbados through the MFEI. The TC seeks to support Barbados in the development of methodologies and instruments for MFEI to integrate climate action into its fiscal policy and management.

- 2.8 **Strategic Alignment.** This TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (document CA-631) and is in alignment with the objective of addressing climate change by enhancing disaster and climate resilience through the design of a long-term climate strategy consistent with its Updated NDC, the development of a climate finance strategy and action plan, as well as strengthening for the incorporation further mainstreaming of climate change-related risks in their fiscal management framework to improve the capacity to provide a fiscal response to natural disasters and macro-fiscal risk of decarbonization. The TC is also aligned with the operational focus areas of: (i) biodiversity, natural capital, and climate action and (ii) institutional capacity, rule of law, and citizen security.
- 2.9 This TC is also aligned with the Country Strategy with Barbados 2019-2023, (GN-2953-1), specifically, with its strategic objective of strengthening the institutional framework by supporting public sector management and public financial management. The TC is also aligned with the Fiscal Management Sector Framework Document (GN-2831-13) which prioritizes enhancing the contribution of fiscal policy to managing climate change and the energy transition; and to the Climate Change SFD (GN-2835-8) by: (i) enhancing disaster and climate resilience through the design of a Long-term climate strategy aligned with its Updated NDC and developing a climate finance strategy and action plan, as well as strengthening the incorporation of climate change-related risk to the fiscal management framework to improve the capacity to provide a fiscal response to natural disasters and macro-fiscal risk of decarbonization; and (ii) enhancing public investment plans, budget planning, and procurement systems to achieve low carbon public expenditure and investments. The project is aligned with the priority areas of climate adaptation, disaster risk management, and resilience, as well as the cross-cutting area of institutional strengthening of ONE Caribbean (GN-3201-2).
- 2.10 Lastly, this TC is aligned with the three pillars of the Fiscal Policy for Climate Change in Latin America and the Caribbean Fund (FFP): (i) Pillar 1 “Development of fiscal management and financial transparency frameworks for climate change” through the design of a long-term climate strategy aligned with current NDCs; a climate finance strategy and action plan for its integration by the MFEI, as well as providing support for the enhancement of fiscal policies, norms, regulations identified in the long-term strategies; and (ii) Pillar 2 “Support the implementation of fiscal management instruments and methodologies and the respective capacity building” and Pillar 3 “Establishment of mechanisms to facilitate the exchange of best practices and track regional progress” the dissemination and exchange of good practices in green fiscal policy and the training of public officials in the topics developed in the TC components.
- 2.11 **Contribution to the IDB's operational program.** The work of this technical cooperation complements the regional efforts made within the framework of the Regional Climate Change Platform of the Ministries of Economy and Finance of LAC (ATN/FC-19904-RG), by providing a support framework for mainstreaming climate change into fiscal policy in the region, in which Barbados participates and which, through this technical cooperation, deepens and personalizes the set of actions it wishes to implement. The TC will support the MFEI in integrating climate action into its fiscal policy and management. The products of the current TC will assist in the development of a framework for financial transparency and fiscal management for climate change, the implementation of green fiscal management instruments and methodologies, and capacity building, with the objective of advancing toward

environmental sustainability and expanding coverage and access to financing for the sustainable productive sector. Therefore, the TC will contribute to the IDB's operational program in the country by promoting a cross-cutting approach to CC, in the understanding that its growing effects on the disasters suffered by the country in terms of extreme events are a central challenge that impacts economic growth and requires comprehensive measures in resource management and environmental protection.

III. Description of activities/components and budget

- 3.1 **Component 1. Development of a comprehensive strategic framework for fiscal planning and risk management for climate change (US\$100,000.00).** 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 Climate Change Finance Strategy, in alignment with relevant existing policies, and (ii) assessing, identifying, quantifying, and managing macro-fiscal risks of the transition to a decarbonized economy.
- 3.2 **Component 2. Development and implementation of green fiscal management tools/methodologies (US\$310,000.00).** This component aims to increase control and efficiency of public expenditure in the areas related to climate change. This is done through: (i) development of guidelines to implement the Climate Budget Tagging Methodology; (ii) elaboration of sectorial manuals for the implementation of their Sustainable Public Procurement Policy; (iii) revision of the green tax incentives, such as the electric vehicles promotion. This component will also finance (i) a study of the state of climate fiscal policy prior to TC activities and determine how this intervention supported the integration of climate action into fiscal policy; and (ii) support to the MFEI team in operational tasks inherent to program implementation and progress reporting.
- 3.3 **Component 3. Dissemination of knowledge and training (US\$90,000.00).** This component aims to disseminate the findings of the previous components and draw lessons learned for the case of Barbados through the following activities: (i) publish and disseminate technical documents; and (ii) conduct training activities to enhance technical and institutional capabilities.
- 3.4 **Main products and results:** The project will improve alignment between Barbados' fiscal policy and its climate change and sustainable development policies. The main result of the TC is the integration of climate action into the fiscal policy and management of the MFEI. The main products are: (i) the long-term climate strategy (LTC) updated and aligned with current policies; (ii) Manuals and guidelines developed, and (iii) technical and institutional capabilities enhanced.
- 3.5 **Budget.** The total cost of this TC is US\$500,000 to be financed by the Bank with resources from the FFP, according to the following indicative budget.

Indicative Budget (US\$)

Activity/Component	Description	IDB / FFP	Total Funding
Component 1	Development of a comprehensive strategic framework for fiscal planning and risk management for climate change	100,000.00	100,000.00
Component 2	Development and implementation of green fiscal management tools/methodologies	310,000.00	310,000.00
Component 3	Dissemination of knowledge and training	90,000.00	90,000.00
Total		500,000.00	500,000.00

IV. Executing agency and execution structure

- 4.1 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). This technical assistance is reflected in the 2024 Operational Program Report - Barbados Country Program Document 2024 (GN-3207).
- 4.2 Consistent with the Procedures for Processing of Technical Cooperation Operations (OP 619-4; Annex II-2.2) execution by the Bank is justified because: (i) the beneficiaries requested the Bank to be the executor due to the innovative nature of the tools to be developed; and (ii) given the Bank's leadership in supporting countries in the design and implementation of fiscal measures to finance the response to climate change. In addition, the Bank has extensive experience in the topics of this TC, having financed loans and executed technical cooperation in this area in several countries in the region. These attributes will enable the timely implementation of the TC products.
- 4.3 Any studies report, knowledge products or otherwise, prepared as stated in the Procurement Plan (Annex IV) shall belong to and remain the property of the Bank. All intellectual property rights in the outputs produced under this TC are vested in the executing agency, the Fiscal Management Division (IFD/FMM).
- 4.4 **Procurement and financial management.** All activities will be executed in accordance with the Bank's established procurement policies as follows: (i) individual consultants, as established in the document AM-650 - Complementary Workforce; (ii) consulting firms for services of an intellectual nature according to the Policy for the Selection and Contracting of Consulting Firms in Bank executed Operational Work (GN-2765-4) and its associated operational guides (OP-1155-4); and (iii) logistic services and other services other than consulting, according to the Corporate Procurement Policy (GN-2303-28).
- 4.5 **Supervision and Monitoring.** The Team Leader (IFD/FMM) of the project will be responsible for and will carry out the supervision of the activities developed under this TC in close coordination with the Alternate Leader (CSD/CCS). The outputs and results achieved under the TC will be communicated and disseminated in a timely manner to all stakeholders. A project completion report will be prepared specifying the activities carried out and the achievement of expected results (OP-1385-4). This TC will be executed in a period of 36 months. The unit with disbursement responsibility will be Country Office in Barbados. The project will be monitored and evaluated according to the products and performance indicators from the results matrix,

according to with what is established in the document The Technical Cooperation Monitoring and Reporting System (OP-1385-4).

V. Major issues

- 5.1 A risk associated with limited implementation of the tools and methodologies developed within the CT framework is identified due to the lack of ownership or technical capacity of MFEI officials and/or other beneficiary institutions. To mitigate this risk, the TC will implement capacity-building programs aimed at enhancing the skills and knowledge of existing staff within beneficiary institutions and highlighting the usefulness of the tools and methodologies developed. Moreover, training modalities will be selected to facilitate the broad participation of relevant staff.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_15448.pdf](#)

[Results Matrix_90303.pdf](#)

[Terms of Reference_91883.pdf](#)

[Procurement Plan_77851.pdf](#)