

TC Document

I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Fiscal Policy for Climate Change in Jamaica
▪ TC Number:	JA-T1222
▪ Team Leader/Members:	Reyes-Tagle, Gerardo (IFD/FMM) Team Leader; Alleng, Gerard P. (CSD/CCS) Alternate Team Leader; Marcio Alvarenga (IFD/FMM); Loo-Kung Aguero, Rudy Joel (IFD/FMM); Torres Pelaez, Daniela (IFD/FMM); Forero Perez Maria Alejandra (IFD/FMM); Buttazzoni, Marco (IFD/FMM); Roman Sanchez, Susana (IFD/FMM); Astudillo, Karen (IFD/FMM); Mooney, Henry (CCB/CCB); Eguino, Huascar (IFD/FMM); Luis Recalde (IFD/FMM); Sara Vila Saintetienne (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	07 May 2024.
▪ Beneficiary:	Jamaica
▪ 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\$1,000,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months disbursement period. The execution will be carried out during the same period.
▪ Required start date:	September, 2024
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD/FMM-Fiscal Management Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Environmental sustainability; Institutional capacity and rule of law

II. Objectives and Justification of the TC

- 2.1 This Technical Cooperation (TC) aims to support the Ministry of Finance and the Public Service (MOFPS) of Jamaica with the integration of climate action in its fiscal policy and management. To achieve this objective, this TC will finance the following actions: (i) the development of a strategic framework for fiscal planning and risk management for climate change; (ii) mainstreaming climate action in public expenditure and investment schemes; (iii) the establishment of a strategic alliance with the Fiscal Research Institute (FRI) at the University of West Indies (UWI) to build capacity and generate knowledge for climate-related fiscal policy and management¹; and (iv) the

¹ This activity aligns with the IDB TC JA-T1231, which aims to develop and launch the FRI in partnership with the Government of Jamaica. By aligning these efforts, it is anticipated that both projects can ensure sound fiduciary management of the funds, avoid duplication of efforts, and maximize the impact of the resources allocated. This collaboration is expected to facilitate the generation of knowledge and capacity building for climate-related fiscal policy and management, thereby strengthening Jamaica's fiscal planning and resilience to climate change.

dissemination of findings, facilitation of intersectoral coordination, and provision of training related to green fiscal policy. By achieving this objective, the TC will contribute to strengthening Jamaica's fiscal planning, risk management, expenditure efficiency, and institutional capacity for sustainable and resilient economic development.

- 2.2 As a small island developing state, Jamaica is highly vulnerable to the effects of climate change, including extreme weather events and sea-level rise. In response, the country has integrated climate change adaptation and mitigation into its policy framework through initiatives like Vision 2030 Jamaica: National Development Plan and the Climate Change Policy Framework². This framework is built on four main goals: ensuring a healthy and stable population, creating a secure and prosperous economy, promoting a well-developed and productive infrastructure, and fostering a natural and resilient environment. The environment-related policies aim to enhance Jamaica's resilience against climate shocks by promoting renewable energy, improving disaster risk management, and fostering green financial instruments. In that context, in March 2023, Jamaica secured a US\$764 million loan from the IMF under the Resilience and Sustainability Facility (RSF), to support reforms to transition to renewable energy, reduce energy consumption, and manage climate risks in the financial sector³. However, despite these efforts, challenges persist, such as inadequate data on the fiscal impacts of climate change, limited access to climate finance and technology, weak stakeholder coordination, and the need for greater public awareness and participation in climate actions.⁴
- 2.3 Jamaica's Vision 2030, which predates the first 2016 Nationally Determined Contribution (NDC), does not incorporate climate adaptation and mitigation public investment projects. This omission highlights a significant gap in the country's strategic planning for climate resilience. Currently, Jamaica's fiscal framework lacks comprehensive integration of climate risks, which hampers effective budget preparation and resource allocation. Without a clear identification of climate-related public investment spending in the budget, it becomes challenging to ensure that resources are allocated efficiently to address the pressing issues posed by climate change. Moreover, the absence of a green procurement system means that public investments may not always prioritize environmentally sustainable options. Green procurement involves selecting products and services that have a reduced environmental impact, which is essential for promoting sustainability.⁵
- 2.4 In terms of public entities, State-Owned Enterprises (SOEs) globally are often significant contributors to greenhouse gas emissions⁶. The lack of data and diagnosis of their performance, coupled with the absence of appropriate emission reporting mechanisms, can lead to inefficient use of public funds and fiscal management.

² [Vision 2030 Jamaica](#).

³ International Monetary Fund. (2023, October 11). [The Government of Jamaica is working with international financial institutions following the Resilience and Sustainability Facility arrangement](#). IMF. Retrieved August 1, 2024.

⁴ International Monetary Fund. Western Hemisphere Dept. (2023). [Jamaica: Request for an Arrangement Under the Precautionary and Liquidity Line and Request for an Arrangement Under the Resilience and Sustainability Facility—World Bank Assessment Letter for the Resilience and Sustainability Facility](#). IMF Staff Country Reports, 2023(105).

⁵ International Monetary Fund. (2023). [Jamaica: Technical Assistance Report-Climate Public Investment Management Assessment \(C-PIMA\)](#).

⁶ Columbia University Center on Global Energy Policy. (2022). [State-Owned Enterprises and Emissions: The Role of Public Ownership in Climate Change](#).

Without accurate data, it is difficult to develop effective strategies to reduce the environmental impact of SOEs. Diagnosing the contribution of SOEs to climate change and devising robust reporting protocols can provide valuable data to inform policy decisions in Jamaica. This will enable the government to identify high-emission activities and implement targeted measures to reduce emissions. Additionally, it will help in assessing the fiscal risks associated with climate change and in developing strategies to mitigate these risks.

- 2.5 Finally, aiming at strengthening the country's understanding of fiscal policy, in the first quarter of 2023, the Jamaican government, through the MOFPS, allocated over US\$1 million to establish the FRI at the UWI⁷. The FRI is a non-partisan think tank dedicated to research, teaching, and training on public finance and policy. Its objective is to inform and analyze economic and social policy decisions, particularly those related to public expenditure, taxation, and fiscal sustainability. Recognizing the significant role of the FRI in promoting Jamaica's fiscal policy and management, this TC aims to support the mainstreaming of climate action in its work. This includes facilitating collaborations, generating knowledge on climate-focused fiscal policy and management, and strengthening interinstitutional synergies among the MOFPS, UWI/FRI, and other stakeholders.
- 2.6 **Beneficiary.** The beneficiary of this TC is Jamaica through the MOFPS and the UWI. This TC seeks to support Jamaica in the development of methodologies and instruments, as well as in the promotion of strategic alliance among the involved parties, for the MOFPS to integrate climate action into its fiscal policy and management.
- 2.7 **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 Nationally Determined Contributions (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.
- 2.8 This TC is aligned with the IDB Group Country Strategy with Jamaica 2022-2026, (GN-3138), specifically, with the strategic objective of enhance the effectiveness of public administration. The TC is also aligned with the Fiscal Management Sector Framework Document (SFD) (GN-2831-13) which prioritizes actions to enhance the contribution of: (i) fiscal policy and management to economic growth; and (ii) fiscal policy to climate change management. The TC is also aligned to the Climate Change SFD (GN-2835-13) by: (i) 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.

⁷ Jamaica Information Service. "Gov't Provides \$200 Million for Establishment of Fiscal Research Institute at UWI." March 9, 2023.

- 2.9 In addition, this TC is aligned with the three pillars of the Fund for the Promotion of Fiscal Policy on Climate Change in Latin America and the Caribbean (FFP), the fund that will finance this TC. It is aligned with Pillar 1, "Development of fiscal management frameworks and financial transparency for climate change," through the diagnosis and analysis of priority issues of the countries' fiscal agendas and decarbonization strategies in connection with stranded assets, SOEs and extractive industries. Similarly, it aligns with Pillar 2, "Support the implementation of fiscal management instruments and methodologies and the respective capacity building," through the design of roadmaps to guide capacity building in these priority areas; and with Pillar 3, "Establishment of mechanisms to facilitate the exchange of best practices and monitor regional progress," through the dissemination of knowledge and exchange of good practices on fiscal management for climate change.
- 2.10 Finally, the TC is also well-aligned with the "MOFPS' Fiscal Policy Paper 2024/2025"⁸ as both documents emphasize the integration of climate action into fiscal policy and management. The TC aims to develop a strategic framework for fiscal planning and risk management for climate change, which is echoed in the Fiscal Policy Paper's new section on climate change and fiscal risks. Additionally, the TC's focus on mainstreaming climate action in public expenditure and investment schemes aligns with the government's commitment to integrating climate considerations into its fiscal strategies. The establishment of a strategic alliance with the Fiscal Research Institute (FRI) at UWI to build capacity and generate knowledge for climate-related fiscal policy is supported by the Fiscal Policy Paper's emphasis on enhancing institutional capacity. Furthermore, both documents highlight the importance of intersectoral coordination, capacity building, and the dissemination of findings to promote green fiscal policies. Overall, the TC project supports the objectives outlined in the Fiscal Policy Paper, contributing to Jamaica's sustainable and resilient economic development.

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\$275,000).** This component aims to improve macro-fiscal planning and management related to climate change. This component will finance the following activities: (i) develop a detailed action plan to support the MOFPS in the implementation of an existing long-term climate strategy, with a focus on identifying opportunities for low-carbon public investments; (ii) design a climate finance strategy and action plan for its integration by the MOFPS and (iii) identify, quantify, assess, and manage macro-fiscal risks from the transition to a decarbonized economy, and from natural disasters.
- 3.2 **Component 2: Strengthening and adaptation of public expenditure and public investment schemes to climate change (US\$275,000).** This component aims to increase control and efficiency of public expenditure related to climate change. This component will finance the following activities: (i) design a methodology for the integration of climate risks into the medium-term fiscal framework; (ii) implement a budget tagging system for tracking climate expenditure, and a system for monitoring and evaluation; (iii) design a "green procurement" system; and (iv) diagnose the contribution of SOEs to greenhouse emissions and providing recommendations for the implementation of emission reporting mechanisms.

⁸ [MOFPS \(Ministry of Finance and the Public Service\). Fiscal Policy Paper 2024/2025.](#) February 15, 2024.

- 3.3 Component 3: Strategic alliance for capacity building (US\$250,000).** This component aims to support the alliance between the MOFPS of Jamaica and the FRI at the UWI to strengthen fiscal policies for climate action. This component will finance the following activities: (i) establish synergies with the FRI at the UWI to promote the study of green fiscal policy and management, including financing curriculum development, training sessions and workshops, as well as the provision of scholarships, through agreements promoted between the involved parties; (ii) development of a comprehensive strategy to promote the mainstreaming of climate action into FRI's public finance-related curriculum (iii) generate knowledge on fiscal policy for climate action in Jamaica, incorporating international best practices as benchmarks for the country's sustainable development initiatives; and (iv) strength inter-institutional capacity among key collaborators through the promotion of research and development activities.
- 3.4 Component 4: Knowledge Dissemination and Training (US\$200,000).** This component aims to disseminate the findings of the previous components and draw lessons learned for the case of Jamaica. This component will finance the following activities: (i) publication and dissemination of technical documents; (ii) implementation of intersectoral coordination activities; (iii) develop a training activity in the areas of intervention; (iv) exchange of best practices; and (v) support the implementation of the action plan into fiscal management and policy of the MOFPS.
- 3.5 Expected results.** By integrating climate action into Jamaica's fiscal policy and management, this TC is expected to achieve several key outcomes. The development of a strategic framework will enhance macro-fiscal planning and risk management for climate change, ensuring that the MOFPS can identify and invest in low-carbon public projects effectively. Strengthening public expenditure and investment schemes will increase the efficiency and control of climate-related spending, integrating climate risks into the fiscal framework and implementing green procurement and emission reporting systems. The strategic alliance with the FRI at the UWI will build institutional capacity and generate knowledge, fostering a deeper understanding of green fiscal policies through training, curriculum development, and research. Finally, the dissemination of findings and the facilitation of intersectoral coordination and training will ensure that these improvements are broadly understood and implemented, contributing to Jamaica's sustainable and resilient economic development.
- 3.6 Indicative Budget.** The total amount required for this TC is US\$1,000,000 to be financed with resources from the Fund for the Promotion of Fiscal Policy for Climate Change in Latin America and the Caribbean (FFP).

Indicative Budget (US\$)

Component	Description	IDB/FFP	Total Funding
Component 1. Development of a comprehensive strategic framework for fiscal planning and risk management for climate change.	Improve macro-fiscal planning and management related to climate change.	275,000	275,000
Component 2. Strengthening and adaptation of public expenditure and public investment schemes to climate change.	Increase control and efficiency of public expenditure related to climate change.	275,000	275,000
Component 3. Strategic alliance for capacity building.	Support the alliance between the MOFPS of Jamaica and the FRI at the UWI to strengthen fiscal policies for climate action.	250,000	250,000

Component 4. Knowledge Dissemination and Training.	Disseminate the findings of the previous components and draw lessons learned for the case of Jamaica.	200,000	200,000
Total		1,000,000	1,000,000

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 - Jamaica 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 procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.
- 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).
- 4.6 This TC will be executed in a period of 36 months. The unit with disbursement responsibility will be the Fiscal Management Division (IFD/FMM). 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 Potential risks associated with the execution of this TC include: (i) the challenge of identifying and selecting suitable human resources within the various beneficiary institutions, which may hinder the timely strengthening of capacity; (ii) ensuring the availability of high-quality information from the MOFPS, other Jamaican government agencies, and the UWI for the development of the TC deliverables; (iii) changes in leadership or shifts in government policy priorities that could disrupt the project's

progress; and (iv) the fact that the Fiscal Research Institute (FRI) has not yet been developed, which poses a risk to the allocation of resources to an institute that is still in the planning stages. Mitigation efforts could include: (i) recruiting new local talent and implementing strategies to retain them within the beneficiary institutions by providing appropriate incentives and training opportunities; (ii) conducting on-site technical visits to collect necessary information and data; (iii) prioritizing consistent communication with key stakeholders within the beneficiary institutions to foster ongoing capacity-building initiatives; and (iv) keep channels of communication with the government open, ensuring that there are mutually agreed contingency measures in place should the establishment of the institute face delays or other challenges.

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 the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_18678.pdf](#)

[Results Matrix_45108.pdf](#)

[Terms of Reference_21703.pdf](#)

[Procurement Plan_10071.pdf](#)