

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	JAMAICA/CCB - Caribbean Group
▪ 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; ASTUDILLO, KAREN (IFD/FMM); ROMAN SANCHEZ, SUSANA (IFD/FMM); LUIS RECALDE (IFD/FMM); MARCIO ALVARENGA (IFD/FMM); TORRES PELAEZ, DANIELA (IFD/FMM); LOO-KUNG AGUERO, RUDY JOEL (IFD/FMM); BUTTAZZONI, MARCO (IFD/FMM); EGUINO, HUASCAR (IFD/FMM); SARA VILA SAINTETIENNE (LEG/SGO); MOONEY, HENRY (CCB/CCB)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	07 May 2024
▪ Beneficiary:	Jamaica
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$1,000,000.00
▪ 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:	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 2010-2020:	Institutional capacity and rule of law; Environmental sustainability

### II. Objective and Justification

- 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 at the University of West Indies to build capacity and generate knowledge for climate-related fiscal policy and management; and (iv) the 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 undertaken gradual efforts to integrate climate change adaptation and mitigation into its policy framework, aiming to strengthen its fiscal, financial, and social resilience against climatic shocks. These measures include a variety of projects supported by external funding, such as the adoption of electric vehicles, reforestation,

rainwater harvesting, the establishment of wind farms, and the initiation of climate-smart business practices. In March 2023, Jamaica secured a significant loan from the IMF, which was conditional upon implementing reforms that encompass transitioning to renewable energy sources, reducing energy consumption, fostering the development of green financial instruments, and effectively managing climate risks in the financial sector. However, there are persistent challenges within Jamaica's climate change policy framework, including inadequate data and research on the fiscal impacts of climate change, limited access to climate finance and technology, weak coordination and communication among stakeholders, and the need for greater public awareness and participation in adaptation and mitigation measures.

- 2.3 The proposed activities of the Technical Cooperation (TC) are crucial in supporting Jamaica's efforts to strengthen its fiscal capacity and efficiency, thereby enabling the country to effectively address the challenges and opportunities of climate change. Designing a methodology for integrating climate risks into the medium-term fiscal framework, implementing a budget tagging system to track climate expenditure, developing a green procurement system, and assessing the contribution of State-Owned Enterprises (SOEs) to greenhouse emissions and fiscal risks are essential steps to enhance Jamaica's public expenditure and investment schemes in the context of climate change. These actions will improve the country's ability to allocate resources, prioritize climate-related expenditures, and effectively manage fiscal risks associated with climate change.
- 2.4 In the first quarter of 2023, the Jamaican government, through the Ministry of Finance and the Public Service (MOFPS), allocated over \$1 million to establish the Fiscal Research Institute (FRI) at the University of the West Indies (UWI). 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.

### 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 related to climate change through: (i) an action plan to support the Ministry of Finance in the implementation of an existing long-term climate strategy, including low-carbon public investment opportunities; (ii) a climate finance strategy and action plan for integration by the MOF; (iii) identifying, quantifying, assessing, and managing macro-fiscal risks from the transition to a decarbonized economy and from natural disasters.
- 3.2 **Component II: Strengthening and adaptation of public expenditure and public investment schemes to climate change.** This component aims to increase control and efficiency of public expenditure related to climate change through: (i) a methodology for the integration of climate risks into the medium-term fiscal framework; (ii) a budget tagging system for tracking climate expenditure and a system for monitoring and evaluation; (iii) a green procurement system; (iv) diagnosis of the contribution of State-Owned Enterprises to emissions with recommendations for implementing emission reporting mechanisms.
- 3.3 **Component III: Strategic alliance for capacity building.** Support the alliance between the MOF and the Fiscal Research Institute at the University of West Indies to strengthen fiscal policies for climate action through: (i) synergies with the FRI to

promote the study of green fiscal policy and management; (ii) a strategy to mainstream climate action into FRI's curriculum (iii) knowledge products on fiscal policy for climate action, including international best practices; (iv) strengthening inter-institutional capacity through research and development.

- 3.4 **Component IV: Knowledge Dissemination and Training.** This component aims to disseminate the findings of the previous components and draw lessons learned for the case of Jamaica. This is done through: (i) publication and dissemination of technical documents; (ii) implementation of intersectoral coordination activities; (iii) training activity in the areas of intervention; (iv) exchange of best practices; and (v) supporting the implementation of the action plan into fiscal management and policy of the Ministry of Finance.

#### 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\$200,000.00	US\$0.00	US\$200,000.00
Strengthening and adaptation of public expenditure and public investment schemes to climate change	US\$250,000.00	US\$0.00	US\$250,000.00
Strategic alliance for capacity building	US\$400,000.00	US\$0.00	US\$400,000.00
Knowledge Dissemination and Training	US\$150,000.00	US\$0.00	US\$150,000.00
<b>Total</b>	<b>US\$1,000,000.00</b>	<b>US\$0.00</b>	<b>US\$1,000,000.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 At the request of the Government of Jamaica, this TC will be executed by the IDB. The Fiscal Management Division (IFD/FMM) will have technical responsibility for the execution of the TC, in close collaboration with the Country Office in Jamaica (CCB/CJA) and Climate Change Division (CSD/CCS). The designated focal point with responsibility for executing this TC will be the Lead Sector Specialist in IFD/FMM. The IDB team will lead the implementation and oversight of TC activities, as well as ensure that the results are effectively communicated and shared with the relevant authorities in Jamaica. The procurement of required services will be the responsibility of IFD/FMM.
- 5.2 It is referred to the criteria established in Annex II of the Procedures for Processing Technical Cooperation Operations (OP-619-4) as follows: (i) Institutional capacity. The requesting entity does not have the necessary technical, operational or institutional capacity to duly and timely execute the activities provided in the respective project. To that effect, the requesting/beneficiary entity shall highlight these weaknesses by applying criteria similar to those of the Bank's Diagnostics of Executing Agency Needs (DNA) tool. The Bank may assist the requesting entity in this undertaking; (ii) Legislative / procedural constraints. Compliance with internal requirements would delay the execution of the TC, jeopardizing achievement of its objectives (e.g., legislative approval would be required, and operational input is required). However, time efficiency in and of itself is not a sufficient justification. The PTL will have to

provide a description of the legislative / procedural factors that will have implications on the timely initiation or execution of a TC within the TC Abstract; (iii) Impartiality. Beneficiary/Executing Agency and the Bank agree that contracting by the Bank would enhance independence (e.g., for environmental studies).

## **VI. Project Risks and Issues**

- 6.1 Some potential risks associated with the implementation of this TC are: (i) difficulties in the identification and selection of suitable human resources within the beneficiary institution; (ii) challenges in accessing quality information from the Ministry of Finance and the Public Service or other stakeholder agencies, which is crucial for the development of the project's deliverables; (iii) delays caused by internal processes within the Bank to coordinate with multidisciplinary teams for the execution of certain activities of the TC.
- 6.2 To mitigate these risks, certain actions can be taken. Firstly, recruiting and retaining local talent within the beneficiary institution can be prioritized, providing incentives and capacity building to address capacity gaps. Secondly, conducting on-site technical visits can help gather information and data effectively. Lastly, promoting coordination mechanisms and fostering continuous dialogue between different areas of the bank can enhance coordination efforts.

## **VII. Environmental and Social Aspects**

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