

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Building capacity to mainstream climate change into fiscal policies and management
▪ TC Number:	RG-T4566
▪ Team Leader/Members:	Buttazzoni, Marco (IFD/FMM) Team Leader; Delgado, C. Raul (CSD/CCS) Alternate Team Leader; Loo-Kung Aguero, Rudy Joel (IFD/FMM) Alternate Team Leader; Centeno Lappas, Monica Clara Angelica (LEG/SGO); Torres Pelaez, Daniela (IFD/FMM); Fernandez Paino Ida Maria Del Pilar (IFD/FMM); Forero Perez Maria Alejandra (IFD/FMM); Bonnefoy, Juan Cristobal (KIC/KLD); Porto, Stella Cavalcanti Da Silva (KIC/KLD); Leonelli, Andrea (KIC/KLD); Nicaretta, Romina Tan (KIC/URC); Izquierdo, J. Alejandro (RES/RES); Astudillo, Karen (IFD/FMM); Blanco Urbina Luz Inmaculada (IFD/FMM)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	15 Aug 2024.
▪ Beneficiary:	Ministries of Finance of Chile and Uruguay.
▪ 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\$1,350,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months of disbursement period that includes the execution period.
▪ Required start date:	16 Dec 2024
▪ Types of consultants:	Individual consultants and 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):	No
▪ Alignment to the Update to IDB Group Institutional Strategy: Transforming for Scale and Impact (GN-3159-12):	Environmental sustainability; Institutional capacity and rule of law

II. Objectives and Justification of the TC

- 2.1 **Objective.** This Technical Cooperation (TC) objective is to implement capacity -building initiatives designed to address technical capacity gaps in the Latin America and Caribbean (LAC) region to improve climate change actions through fiscal policy and management. The specific objectives include: (i) develop and support capacity-building activities and peer-to-peer exchanges for ministries of finance, economy, and planning in LAC; (ii) support the development of an offer of professional programs on climate (and green) fiscal policy, designed to benefit the MoF in the LAC region and to enable the establishment of a stronger base of professionals who can support them; and (iii) carry out initiatives to promote the subject of green fiscal policies in LAC's

research institutions and foster the creation of an academic network around such subject.

- 2.2 **Justification.** The adoption of the 2030 Agenda for Sustainable Development and the Paris Agreement (PA) established an unprecedented commitment to make the current economic and social models sustainable, resilient and net-zero carbon emissions. With the adoption of the PA countries committed to limit the increase in global average temperature to a level below 2°C pre-industrial temperature and pursue efforts to limit the increase to 1.5°C. These commitments are reflected in National Determined Contributions (NDCs) and Long Term Decarbonization Strategies (LTSs) in which individual countries establish their own decarbonization and climate resilience objectives. Achieving the PA goals requires that all countries invest significant resources in climate resiliency and achieve net-zero emissions by the 2050s. Such transformations are technically possible and economically viable, but require substantial changes in investment and expenditure patterns, in the public and in the private sector alike.
- 2.3 The Ministries of Finance of LAC have a critical role in mobilizing the economic resources (public and private) needed to implement decarbonization and climate resilient strategies and thus achieve the objectives of the PA. This requires implementing strategies and actions to incorporate the climate dimension in all the activities of the ministries of finance.
- 2.4 Finance ministries across LAC have been increasingly engaged in the climate agenda. Several countries in the region have adhered to the Helsinki Principles that establish the key areas of intervention of the Ministries of Finance within the framework of the PA. Moreover, the borrowing members of the Bank formed the [Regional Climate Change Platform of Economy and Finance Ministries](#)¹(the Platform) to exchange information, increase institutional capacities, and developing joint efforts to support efficient and effective climate action through fiscal policy in the region.
- 2.5 Progress is being made in most LAC countries in all areas relevant for an effective mainstreaming of climate action in fiscal policy and management, including macro-fiscal analysis, public financial management, public investment and procurement, fiscal revenues and incentives, climate governance, and financing of climate action. Several in-country and regional initiatives in these areas are already supported by the FFP. In parallel with making progress in these areas, ministries of finance in the region greatly expanded their understanding of critical issues found at the intersection between climate change and fiscal policy. This increased their demand for more sophisticated tools to support climate action through fiscal policy. Designing and implementing these tools in practice requires technical knowledge and capabilities in relevant ministries, as well as a broader ecosystem of professionals (from academia, private sector, local government, and civil society at large) to support the governments' ability to consistently design, prioritize, and implement climate action through fiscal policy over time.
- 2.6 This TC aims to address these needs by implementing targeted capacity-building initiatives for ministries of finance and planning, as well as supporting a broader capacity-building effort and research activities offered with academic partners to form professionals in climate and green fiscal climate. These initiatives will directly improve

¹ Financed through Technical Cooperation "Regional Climate Change Platform of Economy and Finance Ministries" (ATN/FC-19904-RG).

Ministries' ability to design and implement climate actions through fiscal policies and management and will support the growth of a thriving ecosystem of academics and professionals, so that the climate action undertaken by ministries of finance can be implemented more effectively and sustained over time, even when key ministerial personnel is lost or replaced.

- 2.7 **Beneficiaries.** The final beneficiaries of the TC will be ministries of finance in Chile and Uruguay who work on climate fiscal policy, so that they will be able to leverage: a better educated workforce, a broader supply of potential employees, and a stronger professional and academic ecosystem.
- 2.8 **Strategic Alignment.** The Program is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (GN-3159-12) and is aligned with the objective of addressing climate change by disseminating critical capacities required to incorporate climate action in fiscal policy and management effectively. 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 aligns with the Fiscal Management Sector Framework Document (GN-2831-13), which prioritizes increasing the use of fiscal policies and public finance management to tackle climate change. It is also aligned with the Climate Change Sector Framework Document (GN-2835-13), in particular with the dimensions of supporting countries so that they acquire technical knowledge to effectively support a just transition to a low-carbon, climate-resilient economy.
- 2.10 Finally, this project is consistent with the three eligible 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 dissemination of knowledge on the design of long term climate strategies, NDCs; climate finance strategies and action plans for the enhancement of fiscal policies, norms, regulations centered on climate action; (ii) Pillar 2 "Support the implementation of fiscal management instruments and methodologies and the respective capacity building" and (iii) Pillar 3 "Establishment of mechanisms to facilitate the exchange of best practices and track regional progress" through the regional dissemination and knowledge products in fiscal policy and climate change.
- 2.11 **Country strategies.** This regional TC is aligned with: (i) Chile IDB Country Strategy 2022-2026 (GN-3140-3); with the objective of improving the efficiency and quality of Chilean institutions and (ii) Uruguay IDB Group Country Strategy 2021-2025 (GN-3056) by generating efficiencies and sustainability in public policies.
- 2.12 **Contribution to the Bank's operative program.** This TC will coordinate with other on-going projects that support activities related to developing methodologies, standards, tools and institutional capacities to integrate and mainstream climate action into fiscal policies and management such as [ATN/OC-19028-RG](#) (Fiscal Policy for Climate Change: Support to the Ministries of Finance of Latin America and the Caribbean) and [ATN/AC18114-RG](#); [ATN/OC-18115-RG](#); and [ATN/OC-18116-RG](#) (Fiscal Policy and Climate Change); [ATN/OC-20057-RG](#) (Strengthening knowledge and capacities to support climate change actions in LAC). This TC is complementary to the technical cooperations financed with the FFP, both regional, country approved and in preparation. In particular, this TC will complement [ATN/FC-19904-RG](#) and [ATN/FC-19927-RG](#) which, among other activities, finance the development of knowledge products, exchange of experiences and best practices, technical and high-level regional dialogues on climate fiscal policy and management. By supporting

the development of a more structured capacity building offer in the region, including through cooperations with academic partners, the TC will deepen the content, broaden the dissemination and increase the longevity of selected knowledge products developed by [ATN/FC-19904-RG](#) and [ATN/FC-19927-RG](#). Taken together, the capacity-building products of these three TCs offer a more complete curriculum to employees of Ministries of Finance in Chile and Uruguay. This will facilitate the mainstreaming of climate change into fiscal policies and management.

III. **Description of activities/components and budget**

3.1 **Component 1. Support capacity building initiatives and peer-to-peer exchanges to complement the activities of the Regional Climate Change Platform of Economy and Finance Ministries (US\$ 400,000).** The objective of the component is to support capacity-building initiatives and peer-to-peer exchanges to complement the activities of the Regional Climate Change Platform of Economy and Finance Ministries. Since its launch, the Platform members, with the assistance of the Bank, have undertaken regular exercises to identify knowledge gaps and capacity-building priorities. Initial priorities were attended by the 2023 and 2024 work plans of the Platform, when capacity-building activities focused on fiscal and climate change policy tools such as: carbon pricing mechanisms, green financing instruments and tools, sustainable taxonomies, innovative mechanisms to finance climate action. Most recent Platform meetings and assessment of Ministries of Finance needs, highlight a growing demand for capacity-building support and peer-to-peer exchanges, which exceeds the demand initially assessed by the Platform members. This component will address these additional needs by financing:

- (i) The development of course materials and the organization and delivery of master classes, technical dialogues or equivalent types of courses, on current topics relevant to the ministries of finance related to green fiscal policies or management. This will primarily take place online (E.g. through Zoom) and may also include in-person initiatives associated with Platform meetings.
- (ii) The organization of field visits and on-the-ground training activities in countries with leading experiences in green fiscal management. It is anticipated that participants will be employees from ministries of finance and planning with work responsibilities most relevant for the subject addressed through capacity building. Participants will be selected by the countries.

3.2 The execution of this component's activities will be coordinated with the Platform, using its consultation and needs assessment mechanisms to select demand-driven topics.

3.3 **Component 2. Support the creation and delivery of professional education programs on climate (and green) fiscal policy and management (US\$580,000).** This component's objective is to support the design and launch of professional education programs in climate/green fiscal policy and management. The component will be implemented in collaboration with regional academic partners and, whenever appropriate, with the support of international partners, leveraging course materials already developed and tested elsewhere in the world and following a train-the-trainer approach. Professional education programs will directly support the advancement of technical expertise of personnel from the Ministries of Finance and Planning in the LAC region. They will also be instrumental in building capacity with a broader set of beneficiaries, who currently may be working for businesses, consultancies, academia, or NGOs. Thanks to the presence of such a broader ecosystem of professionals, the

ministries of finance and planning will be able to leverage a broader set of outside experts, when developing policy, and to find professionals with the expertise required to work in key ministerial positions (for example to replace civil servants who decided to leave their job for a better paying job in the private sector, which is a common occurrence in LAC's public administrations). This component will finance the following activities:

- (i) Development and implementation of a diagnostic and monitoring tool to assess, over time, the capacity building offer (and gaps) available to LAC's Ministries of Finance in the areas of climate/green fiscal policy and management.
- (ii) Support to academic partners to develop a capacity-building offer and professional programs on climate fiscal policy and management. Such offer may include the adaptation to the LAC context of educational materials already developed elsewhere.
- (iii) Support the launch of professional education programs including through training of teachers (train-the-trainer approaches) and facilitating the participation of selected public sector employees in these programs. The criteria to select the participation of public sector employees in professional programs, funded by this TC, will be developed during the execution of the TC through the establishment of a transparent governance structure between the Bank, the beneficiary countries and the respected ministries of finance.

3.4 Component 3. Mainstreaming of climate action into fiscal policies research initiatives in LAC (US\$ 370,000). The objective of this component is to mainstream green fiscal policies into the research agenda of academic institutions in LAC. This component will leverage the [Latin American and Caribbean Research Network](#) to finance a research network on mainstreaming climate action into fiscal policy and management in LAC. This component will finance:

- (i) The set up of a network governance structure and team for the definition of research topics; and the evaluation, selection and review of research proposals (it is envisioned that this will include experts from the Fiscal Management Division (IFD/FMM), the Research Department (RES), and possibly include external members from the Platform).
- (ii) The definition of research topics, the articulation of calls for competitive bidding processes, the review of applications and selection of winners. Calls will focus on the research at the intersections between climate change, climate policy, fiscal policies, and fiscal management.
- (iii) Travel costs for in-person workshops and organization cost for virtual workshops. Workshops may be organized at the inception of a research project, to fine tune the research topic of each winner, during the research period, to discuss and compare intermediate results, and at the end of the research period, to discuss and harmonize final results and deliverables.

3.5 Expected Results. The expected result is to contribute to the creation of a deeper ecosystem of professionals with the technical capacities required to mainstream climate action within fiscal policies and management in LAC.

3.6 Indicative Budget. The total cost of this TC will be US\$1,350,000 which will be financed by the Bank through the Fostering Fiscal Policy for Climate Change in Latin

America and the Caribbean (FFP) Fund. The execution period of this TC will be 36 months including the disbursement period.

Indicative Budget (US\$)

Components	Description	IDB/FFP	Total Funding
Component 1.	Support capacity building initiatives and peer-to-peer exchanges to complement the activities of the Regional Climate Change Platform of Economy and Finance Ministries.	400,000	400,000
Component 2.	Support the design and launch of professional education programs in climate/green fiscal policy and management.	580,000	580,000
Component 3.	Mainstream climate action into the research agenda of academic institutions in LAC who work on fiscal policy.	370,000	370,000
Total		1,350,000	1,350,000

- 3.7 **Supervision, monitoring, and evaluation.** The project team leader of IFD/FMM will be responsible for the supervision, monitoring, and evaluation of the TC in close coordination with the alternate team leader and other members of the team. The team leader will also be responsible for the financial execution of the operation. The project will be monitored and evaluated according to the annual goals and indicators of the results and products that make up the TC results matrix in accordance with document The Technical Cooperation Monitoring and Reporting System (OP-1385-4).

IV. Executing agency and execution structure

- 4.1 **Executing Agency.** Given the regional dimension of this TC, its focus on research and dissemination and a Bank’s initiative, the Bank will be the executing agency through the IFD/FMM Division in close coordination with the Climate Change Division (CSD/CCS), Country Office Specialists, IFD/FMM country specialists, and respective ministries of finance of participating countries prior to the initiation of any activity the non-objection from the liaison authority with the Bank will be required.
- 4.2 **Procurement.** 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.
- 4.3 The knowledge products generated within the framework of this TC will be the property of the Bank² and, subject the Bank's policies and procedures, may be made available to the public under a Creative Commons license. However, at the beneficiary's request, the intellectual property rights of said products may also be licensed to the beneficiary through separate agreements that will be prepared and negotiated between the Bank and the beneficiary. Knowledge products may be published on the

² Pre-existing educational materials, bundled with products developed by the TC may be excepted.

Banks web page and/or other official communication channels designated by the Bank.

V. Major issues

- 5.1 A risk for components 1 and 2 of this TC is the possible lack of prioritization, among the officials of ministries of finance of the region, which would reduce their participation on capacity-building activities. This risk will be managed through close coordination with the Platform to deploy development capacity building and peer-to-peer exchange initiatives that are demand-driven and relevant to the officials of ministries of finance in the region.
- 5.2 A risk for components 2 and 3 of the TC is the possible lack of prioritization among the educational institutions that support capacity building in the region. This risk will be managed through the support provided to academic partners with the development of visions, strategies and plans as well as through the involvement of local ministries of finance in this effort.
- 5.3 There is a risk that difficulties will arise during the development of the capacity-building initiatives envisioned for components 2 due to the complexity of the topic covered or to differences in capacities and needs in the participating countries. This risk will be mitigated by leveraging educational materials already developed by established and well-regarded educational institutions and by developing training products that can be adapted to different regional or national demands and circumstances.
- 5.4 A risk for the longer sustainability of the educational products and initiatives of this TC is the potential limited and time-bound funding provided by this TC. This risk will be managed with a three-pronged approach consisting in: (i) seeking synergies with existing international and regional initiatives; (ii) ensuring, including with the support of the TC, that educational organizations involved in the executing of the TC develop sustainability plans and; (iii) asking educational partners to commit to offer the capacity building programs for at least two years after the initial launch and first-year review funded by the Bank.
- 5.5 Another risk for the longer sustainability of the educational products and initiatives of this TC is an insufficient capacity-building offer on topics that are complementary to the ones addressed in this TC (for example, on fiscal or monetary policy at large and on the intersection between ecology and such policies). To mitigate this risk, the strategy and sustainability plans supported with component 2 allow for a broader scope, provided they address the longer-term sustainability of the capacity-building initiatives supported by this TC.

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:

[Results Matrix_59849.pdf](#)

[Terms of Reference_564.pdf](#)

[Procurement Plan_64502.pdf](#)