

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ 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; LOO-KUNG AGUERO, RUDY JOEL (IFD/FMM) Alternate Team Leader; DELGADO, C. RAUL (CSD/CCS) Alternate Team Leader; FERNANDEZ PAINO IDA MARIA DEL PILAR (IFD/FMM); BLANCO URBINA LUZ INMACULADA (IFD/FMM); TORRES PELAEZ, DANIELA (IFD/FMM); ASTUDILLO, KAREN (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); CENTENO LAPPAS, MONICA CLARA ANGELICA (LEG/SGO); FORERO PEREZ MARIA ALEJANDRA (IFD/FMM)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	15 Aug 2024
▪ Beneficiary:	Ministries of Finance of participant countries
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$1,350,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 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):	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 TC is to implement capacity-building-centered initiatives designed to address technical capacity gaps in the LAC region to improve climate change actions through fiscal policy and management. To achieve this overarching goal, 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 program(s) 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 mainstream the subject of green fiscal policies in LAC's research institutions and foster the creation of an academic network around such subject. 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.

- 2.2 Achieving the Paris Agreement 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. The Ministries of Finance of Latin America and the Caribbean (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.
- 2.3 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, and 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 a governments' ability to consistently design, prioritize, and implement climate action through fiscal policy over time.
- 2.4 This TC aims at addressing 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 Ministries' ability to design and implement climate actions through fiscal policies and management and will support the growth of a thriving ecosystem of 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.

III. Description of Activities and Outputs

- 3.1 **Component I: Support capacity building initiatives and peer-to-peer exchanges for ministries of finance, economy and planning in LAC.** This component will support demand-driven capacity building initiatives and peer-to-peer exchanges for ministries of finance, economy and planning in LAC working in close coordination with the Regional Climate Change Platform of Economy and Finance Ministries.
- 3.2 **Component II: Support the creation and delivery of professional programs on climate (and green) fiscal policy and management.** This component will support the creation and delivery of professional programs on climate (and green) fiscal policy and management, targeting MoFs employees and working in cooperation with local educational institutions
- 3.3 **Component III: Mainstreaming of climate action into fiscal policies research initiatives** (. This component will leverage the Latin American and Caribbean Research Network to finance the research agenda on the mainstreaming of climate action into fiscal policies research initiatives.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Support capacity building initiatives and peer-to-peer exchanges for ministries of finance, economy and planning in LAC	US\$400,000.00	US\$0.00	US\$400,000.00
Support the creation and delivery of professional programs on climate (and green) fiscal policy and management	US\$580,000.00	US\$0.00	US\$580,000.00
Mainstreaming of climate action into fiscal policies research initiatives (US\$370,000.00	US\$0.00	US\$370,000.00
Total	US\$1,350,000.00	US\$0.00	US\$1,350,000.00

V. Executing Agency and Execution Structure

- 5.1 The Bank will be the executing agency through the Fiscal Management Division (IFD/FMM) in close coordination with the Climate Change Division (CSD/CCS), RES, KIC and with IFD/FMM country specialists, who will support the participating countries. The activities of this TC will be executed in accordance with the procurement methods established by the Bank, namely: (a) hiring of individual consultants, as set forth in the AM-650 standards; (b) contracting of consulting firms for intellectual services in accordance with GN-2765-4 and its related operating guides (OP-1155-4) and (c) contracting of logistics services and other services other than consulting, in accordance with policy GN-2303-28.
- 5.2 In line with the criteria established in Annex II of the Procedures for the Processing of TC Operations (OP-619-4), the Execution by the Bank is justified by the regional nature of this program, which will benefit ministries of finance throughout the LAC region. The Bank's execution is justified by the fact that this program involves developing or delivering a variety of capacity building products, with focus on the mainstreaming of climate action into fiscal policy and management, aimed to benefit the entire LAC region. The technical capacity and experience that the Bank has through the Fiscal Division in matters of fiscal management and policy, will allow the expected result of this TC to be achieved, which is to provide the ministries of finance with knowledge and tools to improve climate change actions within the finance ministries in the region.

VI. Project Risks and Issues

- 6.1 A risk for the 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 a development capacity building and peer-to-peer exchange initiatives that are demand driven and relevant the employees of ministries of finance in the region. A risk for components 2 and 3 of the TC is the possible lack of prioritization among the educational institutions who 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. 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. To mitigate this risk, the educational organizations responsible for

executing the program, will develop sustainability plans and commit to offer the capacity building programs for at least two years after the initial launch and first-year review funded by IADB.

- 6.2 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 development training products that can be adapted to different regional or national demands and circumstances.
- 6.3 Another risk for the longer sustainability of the educational products and initiatives of this TC is the 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

VII. Environmental and Social Aspects

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