

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BELIZE/CID - Isthmus & DR
▪ TC Name:	Strengthening Fiscal Policy for Climate Change Actions in Belize
▪ TC Number:	BL-T1184
▪ Team Leader/Members:	CHAMORRO MONTES, JESSICA ANDREA DEL CARME (IFD/FMM) Team Leader; ALLENG, GERARD P. (CSD/CCS) Alternate Team Leader; ALVARENGA JUNIOR MARCIO (IFD/FMM); ASTUDILLO, KAREN (IFD/FMM); LOO-KUNG AGUERO, RUDY JOEL (IFD/FMM); SALAZAR, ASTRID DANIELLE (CID/CBL); CALIJURI, MONICA (IFD/FMM); BUILES GIRALDO LIZA FRANCINA (IFD/FMM); LUGO MORENO, MONICA BIBIANA (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	30 Jul 2024
▪ Beneficiary:	Ministry of Finance, Economic Development and Investment of Belize
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$500,000.00
▪ 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:	CID/CBL - Country Office Belize
▪ TC included in Country Strategy (y/n):	Yes
▪ 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 Assist the Ministry of Finance, Economic Development, and Investment (MFEDI) of Belize in integrating climate action into fiscal policy and management.
- 2.2 Belize ratified the Paris Agreement in 2016, the same year as its first Nationally Determined Contributions (NDC) was published. Five years later, the country updated its NDC and published its Long-Term Strategy (LTS). Through these two documents, Belize reinforced its commitment to fight climate change and to follow a low-emission development path in line to achieve net-zero global emissions by 2050. Despite being a carbon-negative country, with annual emissions removals exceeding total gross emissions by 7 MtCO_{2e}, Belize reinforced its commitment to fighting climate change in the latest version of its NDC. In the updated version, the country increased its ambition to reduce GHG emissions, including strengthening carbon reductions in the land use and forestry sector through nature-based solutions. The updated NDC also sets out sectoral targets on adaptation to build resilience to climate change. Since Belize is already on track toward achieving a low-carbon development path, the country must advance its adaptation agenda. In 2023, the country ranked the 71st most vulnerable to climate events and 137th among the most prepared to cope with them. Belize's low level of preparedness, in a context of increasing frequency and

intensity of extreme weather events, places the country among the most exposed ones in the Latin America and the Caribbean (LAC) region to climate change-related natural disasters. The increasing frequency and intensity of storms and floods are the main drivers of natural disasters in Belize. Recent evidence suggests that more than 300,000 people have been affected by these events in the last three decades. Increasing problems with coastal erosion are also expected in the country due to rising sea levels.

The cross-cutting nature of the causes and impacts of climate change, as well as the magnitude of the challenges to address them, demand greater involvement of new actors in this agenda. The relevance of ministries of finance has been growing as fiscal policy and instruments are being increasingly used to manage climate risks, redirect incentives, and mobilize resources. In Belize, the use of fiscal instruments is gaining ground. In November 2021, Belize announced a large-scale debt-for-nature swap operation that will result in funding of US\$180 million for blue economy actions. In its Climate Finance Strategy for 2021-2026, Belize also recognizes the potential of a debt-for-climate swaps program to ramp up its climate action. The country has been advancing in integrating climate change into public financial management, through the elaboration of climate budget tagging framework.

As can be noticed, climate action is being progressively integrated into the areas of responsibility of the MFEDI. Nevertheless, there are opportunities for further advancement in its integration, which will be addressed by this TC, especially when it comes to: (i) using fiscal tools to mitigate climate-related risks, (ii) improve public investment planning by incorporating criteria to account for physical and transition risks, (iii) evaluating the impacts of the country's public expenditure on climate change adaptation and mitigation; and (iv) delimiting and strengthening the mandates of MFEDI in this agenda, among others.

III. Description of Activities and Outputs

- 3.1 **Component I: Development of a strategic framework for fiscal planning and risk management for climate change.** Contribute to strengthening the green fiscal policy agenda through the hiring of consultancies to provide: (i) an action plan on the integration of climate change into Public Financial Management; (ii) a framework for managing macro-fiscal risks arising from climate change; and (iii) proposal of governance guidelines to effectively define and strengthen MFEDI's mandate in climate-fiscal matters.
- 3.2 **Component II: Development and implementation of green fiscal management tools/methodologies.** Assist in implementing new instruments and methodologies for green fiscal management through the hiring of consultancies that provide: (i) a methodology for evaluating public expenditure on climate action; (ii) guidelines on fiscal risk from the natural/climate disaster; (iii) guidelines for a green public procurement system; (iv) tax methodology based on their impact on emissions; and (v) guidelines to incorporate climate risk opportunities into the public investment cycle.
- 3.3 **Component III: Enhancing institutional fiscal capacities related for climate resilience.** Build technical capacities in the government and disseminate the findings of the previous components through consultancies to carry out the following activities: (i) publish and disseminate technical documents; and (ii) support training activities to enhance technical and institutional capabilities.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Development of a	US\$100,000.00	US\$0.00	US\$100,000.00

strategic framework for fiscal planning and risk management for climate change			
Development and implementation of green fiscal management tools/methodologies	US\$320,000.00	US\$0.00	US\$320,000.00
Enhancing institutional fiscal capacities related for climate resilience	US\$80,000.00	US\$0.00	US\$80,000.00
Total	US\$500,000.00	US\$0.00	US\$500,000.00

V. Executing Agency and Execution Structure

- 5.1 At the request of the MoF of Belize, the TC will be executed by the IDB, through IFD/FMM in accordance with (GN-2470-2) in addition to the Procedures for the Processing of TC Operations (OP-619-4) in the sense of recognition of the Bank's highly specialized technical, methodological and conceptual knowledge to address the topics of the required studies, as well as the need to know best international practices in the matters addressed by the TC, to the extent that the Bank has the technical experience, expert networks, and knowledge of international experiences that justify said request. Likewise, the process of contracting consulting services can be more expedited by the Bank.
- 5.2 The execution of the components will be carried out in close collaboration with the MFEDI. This execution arrangement will ensure a close relationship with the activities of this TC in support of the program.

VI. Project Risks and Issues

- 6.1 VRisks for this project are low due to the direct request by the Government of Belize for this client support TC. Nonetheless, an important risk to project execution includes identifying and selecting adequate human resources within the various beneficiary institutions assigned with sufficient time to strengthen capacity. Some mitigation efforts could include recruiting new local human talent and retaining them within the beneficiary institutions by providing adequate incentives and capacity building to fill gaps within the executing Agency over the life of the project, mitigating the current unavailability of human resources.

VII. Environmental and Social Aspects

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