Early Warning System

IADB-RG-T4062

New frameworks and instruments for Public Debt management in LAC

Quick Facts

Financial Institutions	Inter-American Development Bank (IADB)
Status	Proposed
Bank Risk Rating	U
Borrower	Regional
Sectors	Climate and Environment, Law and Government, Technical Cooperation
Investment Type(s)	Advisory Services
Investment Amount (USD)	$ 0.40 million
Project Cost (USD)	$ 0.40 million

Project Description

The general objective of this Technical Cooperation (TC) is to contribute to the improvement of the institutional capacity of debt management offices leading to sustainable development. To this end, the specific objectives of this TC seek to: (i) develop new strategies and instruments to promote sustainable development; (ii) identify best practices aimed at mitigating climate change risks in fiscal accounts; and (iii) strengthen the institutional capacities of the debt offices to incorporate sustainability issues and, to this end, promote inter-institutional coordination. 2.2 There is a growing availability of financial instruments that contemplate these needs, such as debt conversions for ESG objectives, thematic bonds, or the provision of clauses that contemplate a suspension of debt repayments in the face of unforeseen environmental events, but there is still in these countries a need to evaluate them and determine their appropriate application according to the context. In addition, several improvements are necessary for adequate implementation: (i) development of medium-term debt strategies that contemplate sustainability; (ii) effective coordination between the government entities involved in its implementation; (iii) an exhaustive analysis of the new sustainable financial instruments available to optimize their application; (iv) a quantification of sustainable financing needs; (v) the creation of an institutional framework conducive to hedging commodity price volatility risks and the incorporation of natural disaster forecast clauses in debt repayment; among others. The Institutions that would benefit from these improvements are the PDOs of the beneficiary countries, which, in coordination with other government entities, will implement the improvements. Some of these improvements are linked to the operations in Ecuador (EC-U0005) and Barbados (BA-0001), where a debt-for-nature conversion was carried out and inter-institutional coordination was put into practice for its implementation. Also in operation 4699/OC-EC with the issuance of the first sovereign social bond and in operations and 5439/OC-BA and 5276/OC-BH that incorporate climate change considerations. It is still necessary to standardize and determine good practices for its implementation in beneficiary countries.

Investment Description

- Inter-American Development Bank (IADB)

Contact Information

ACCOUNTABILITY MECHANISM OF IADB

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

Other Related Projects

- IADB-EC-U0005 Sustainable Development Program for Ecuador