

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	SURINAME/CCB - Caribbean Group
▪ TC Name:	Fiscal Policy to Support Climate Change Actions
▪ TC Number:	SU-T1163
▪ Team Leader/Members:	REYES-TAGLE, GERARDO (IFD/FMM) Team Leader; DELGADO, C. RAUL (CSD/CCS) Alternate Team Leader; VILA SAINT-ETIENNE, SARA (LEG/SGO); LAURA OSPINA GARNICA (IFD/FMM); ROMAN SANCHEZ, SUSANA (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	16 Aug 2022
▪ Beneficiary:	Ministry of Economy and Finance of Suriname
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$1,170,000.00
▪ 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):	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 Support the Ministry of Economy and Finance of Suriname in the integration of climate action in its policy and fiscal management. To achieve this objective, this TC will finance three types of actions: (i) Development of a Strategic fiscal planning framework for climate change that includes the associated fiscal risks; (ii) Integration of climate action into fiscal policy and management and strengthening of the fiscal governance structure for climate action (iii) Dissemination of knowledge and exchange of good practices to improve governance.
- 2.2 The adoption of the 2030 Agenda for Sustainable Development and the Paris Agreement (PA) established an unprecedented commitment to change current economic and social models towards sustainable, resilient, and zero-carbon development. The adoption of the PA states that signatory countries should submit their commitments to limit global temperature rise to below 2°C and continue efforts to limit that temperature rise to 1.5°C, in accordance with their national circumstances and priorities. These commitments are included in the Nationally Determined Contributions (NDCs), which set out adaptation and mitigation actions against climate change. Suriname deposited its instrument of ratification to the Paris agreement in 2019 and was the second country in the world to update its NDC for the period 2020-2030, guided by the principles of ambition, participation, effectiveness, and implement ability through three main means of implementation: technology transfer, capacity building and financial support. In order to improve the governance of climate change action at the local, and regional

level, it is expected that the country contributes with information to a regional tracking system that monitors climate-related fiscal resources. A better monitoring of the climate related fiscal resources will provide valuable information to improve their efficiency in terms of sustainable development and resiliency. It will also contribute to countries in the process of report their progress and updates in their NCDs. In the context of this project, the government of Suriname will receive technical support to participate in this new system providing information about: (i) climate-related fiscal expenditures; (ii) public investment on resilient and low carbon projects; and (iii) national access to sustainable financing. To ensure sustainability of this system, the information that feeds it will come from the existing National Public Financial System.

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.** (i) Design of a Long-term climate strategy aligned with current NDCs; (ii) Design of a climate finance strategy and action plan for its integration by the MF; (iii) Assessment, identification, quantification and management macro-fiscal risks of the transition to a decarbonized economy and fiscal risk posed by natural disasters including a model to estimate the fiscal impacts of decarbonization that considers the current dependence on extractive industries.
- 3.2 **Component II: Strengthening and adaptation of public expenditure and public investment schemes to climate change.** (i) Identified fiscal risks and management to medium-term fiscal framework; (ii) Incorporation of a budget classification system for climate expenditure and design a system for monitoring and evaluation (iii) design of a 'Green procurement' system; (iv) support the inclusion of low-carbon public investment; (vi) design of a carbon pricing system; and (vii) diagnostic, mapping and categorization of contribution of SOEs to greenhouse emissions and the fiscal risk
- 3.3 **Component III: Dissemination of knowledge and training.** (i) the publication and dissemination of technical documents; (ii) the implementation of intersectoral coordination activities; (iii) a training activity in each of the areas of intervention proposed in previous components; and (iv) exchange of best practices at the national level
- 3.4 **Component IV: Technical support to facilitate the implementation of green fiscal policies.** This component will finance consultancies to (i) provide technical advice to the executing agency in the implementation of the action plan for integrating climate action into the MoF; (ii) assist the MoF in cross-sectoral coordination tasks and with other multilateral/bilateral entities; and (iii) assess the degree of integration of climate change into fiscal management and policy.

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\$400,000.00	US\$0.00	US\$400,000.00
Strengthening and adaptation of public expenditure and public investment schemes to climate change	US\$400,000.00	US\$0.00	US\$400,000.00

Dissemination of knowledge and training	US\$100,000.00	US\$0.00	US\$100,000.00
Technical support to facilitate the implementation of green fiscal policies	US\$270,000.00	US\$0.00	US\$270,000.00
Total	US\$1,170,000.00	US\$0.00	US\$1,170,000.00

V. Executing Agency and Execution Structure

- 5.1 At the request of the Government of Suriname, this TC will be executed by the IDB. The IDB's Country Office in Suriname (CCB/CSU) in close collaboration with the Fiscal Management Division (IFD/FMM) will have technical responsibility for the execution of the TC. The designated focal point with responsibility for executing this TC will be the Lead Sector Specialist in IFD/FMM. The IDB team will lead implementation, oversight of TC activities and coordination of results with authorities in Suriname. IFD/FMM will be responsible for procurement of required services.
- 5.2 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); (iv) Regional Technical Cooperation where a regional entity with legal capacity to execute the TC can't be identify – the TC document should make the case that it would be appropriate for the Bank to carry out the contracting of consultants vis a vis the sustainability of the implementation of the project.

VI. Project Risks and Issues

- 6.1 (i) Identification and selection of adequate human resources within the various beneficiary institutions assigned with sufficient time to strengthening capacity; (ii) limited capacity for data collection and communication risks due to continuous travel restrictions and social distancing measures caused by the ongoing pandemic. Some mitigation efforts could include (a) recruit new local human talent and retain 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; (b) actively utilize virtual or hybrid meeting platforms and communication channels until travel restrictions are lifted to conduct field visits and in-person dialogue with the MOFP, DoTC and local stakeholders.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".