



Mobilizing Public Finance for Adaptation

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Use of Policy-Based Loan in Trinidad and Tobago

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**UNFCCC Second Forum of the Standing Committee on Finance
“Mobilizing Adaptation Finance”**

Montego Bay, June 21 2014

Areas of Intervention the Bank's Climate Change Strategy

Mitigation

Adaptation

A. Knowledge development

B. Institutional Strengthening/ Capacity Building

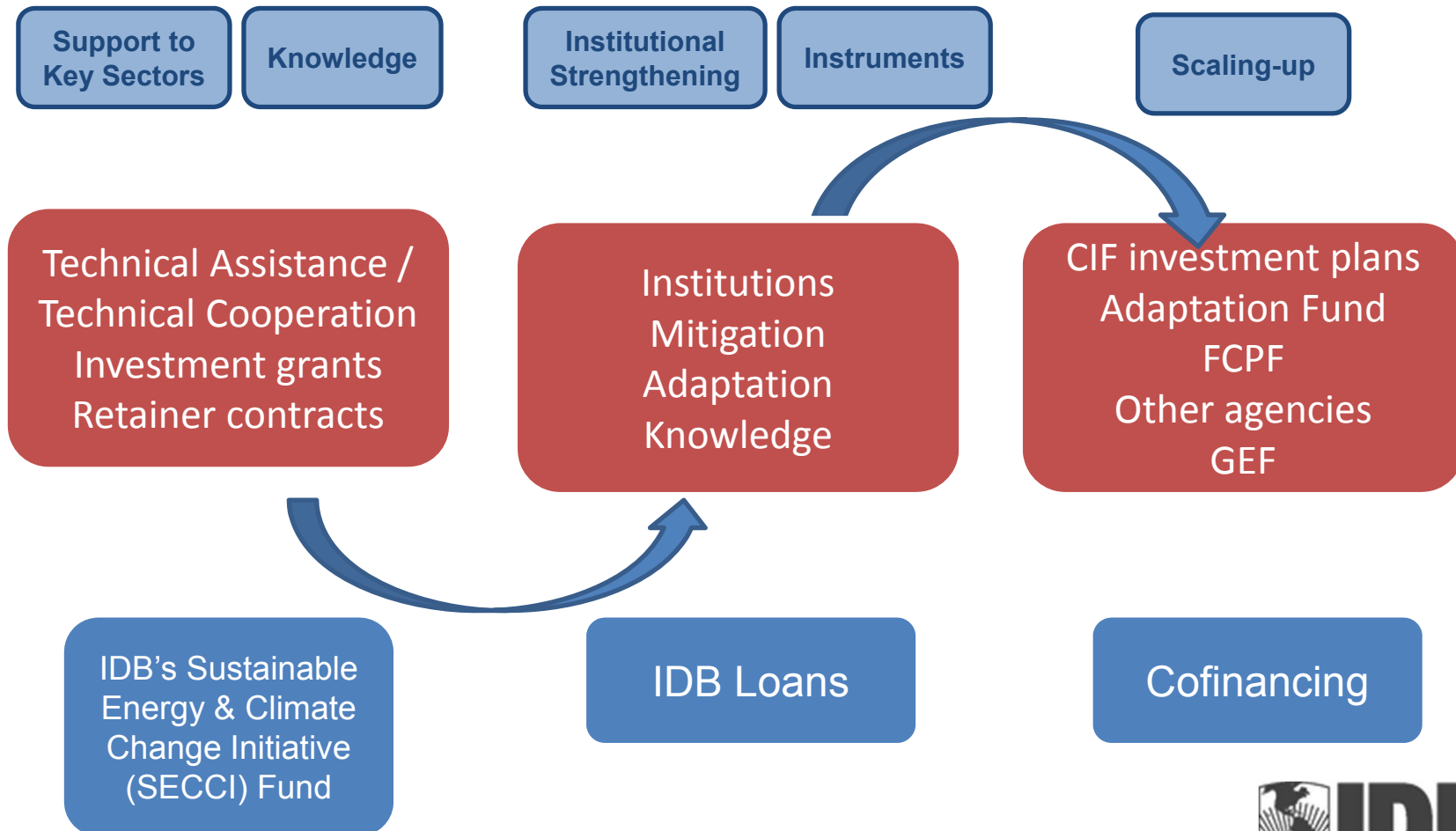
C. Instruments to mainstream CC in Bank operations

D. Expand Sector Lending and Technical Assistance

E. Scaling-up Investments, addressing financial gaps and leveraging private sector



The IDB Climate Change Agenda in the region: “A strategic approach”



Mobilizing Funds to the Public Sector – Use of the The Policy-Based Loans (PBL) Instrument

Basic premise: Instrument is for support of good policy making – governments are rewarded with budget support in response of pursuing an agreed program of policy reforms and/or institutional changes in a sector or sub-sector.

- PBLs assist a borrower to develop and implement **economic and sectoral policy reforms and institutional changes** (towards sustainable growth levels and **poverty reduction**), while addressing actual or anticipated **development financing requirements**

Modality:

Multi-tranche



Disbursement conditions specified at the beginning of each tranche, encompassed within one loan contract.

Programmatic

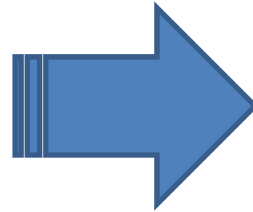


Series of single tranche operations (each with their own Loan Contract), set within a medium-term series of reforms, approved on a phase basis



Common elements in Climate Change Lending under the PBL

✓ **Three Building Blocks**



**Institutional
Strengthening**

Adaptation

Mitigation

✓ **Linked to Technical Assistance targeting different actors involved**

Climate Change and PBLs

Country	Disbursement Amount Approved (\$US)	Modality	No. of policy conditions required for compliance per year/tranche
Mexico	\$ 1Billion	Programatic	15 : 20 : 22
Colombia	\$ 200m	Programatic	13 :13 :12
Peru	\$ 75m	Programatic	28 : 41 : 53
Guatemala	\$ 250m	Multi-tranche	9 : 11 : 10 : 13
Trinidad and Tobago	\$80m	Programatic	16 : 27
El Salvador	\$ 200m	Multi-tranche	8 :11

T&T PBL: Program to Support the Climate Change Agenda I in Trinidad and Tobago

Background:

The Bank engaged with the GoRTT to support and promote the reforms initiated with their Climate Change Policy which is intended to guide the process of mainstreaming climate change across all sectors into national development strategies and the country's shift to a low carbon economy.



Basic Specifics of the PBL

- **First Disbursed Amount:** US\$80,000,000
- **First Execution Period:** 2011-2012
- **Modality:** Programatic

Objective:

Support the Government of Trinidad and Tobago (GoRTT) in strengthening and modernizing the regulatory, institutional and policy framework to integrate climate change and its impacts into national economic development.

Focus on:

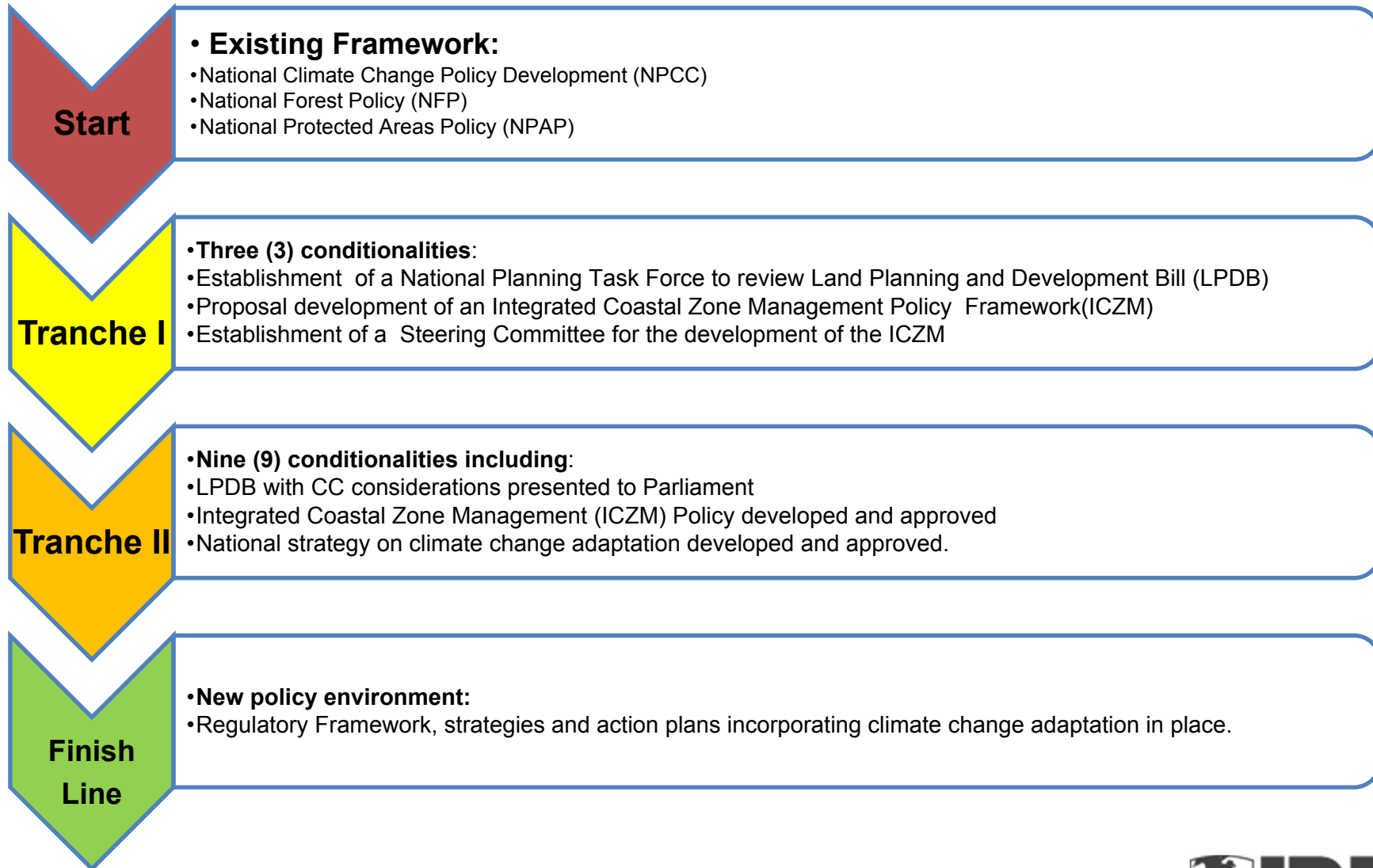
**Institutional
Strengthening:
Support to
Mainstreaming**

**Support for
Adaptation:
Development of
policies to reduce
CC risks**

**Support for
Mitigation:
Promotion of carbon
markets and policies
to reduce GHG
emissions**



Mechanics of the Adaptation Component of the PBL



Filling Gaps to Achieve Results: Use of Parallel TCs

The Bank also provided technical cooperation/assistance to support and provide analytical input for implementing the policy and strategic reforms to help meet future commitments.

For Trinidad and Tobago the Bank designed and implemented 3 three technical assistance programs.

- 1. Economics on Climate Change Adaptation (ECA)**
- 2. Institutional Strengthening of the Environmental Management Authority (EMA) in Relation to Climate Change**
- 3. Piloting the Integration of Coastal Zone Management and Climate Change Adaptation in Tobago**



PBL Advantages and Disadvantages

ADVANTAGES

- **Introduces innovative mechanisms (e.g. hybrid loans with an investment component)**
- **Fast disbursement**
- **Facilitates coordination among development partners (reforms considered are not only from the Bank)**
- **Ministers of finance involved in the climate change agenda**
- **Improves institutional capacity and existing frameworks**

DISADVANTAGES

- **Funds go to the national budget (budget support) and not to line ministries – lack of incentive to pursue reforms**
- **Limited coordination between MOF and line ministries responsible for policy reform (need for dialogue between ministries)**
- **Multi-tranche modality subject to set disbursement conditions – has implications for CC policy reforms**





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