



# **FAD – CD relating to Climate Change**

November 2022

Fiscal Affairs Department

# **Climate Public Investment Management Assessment – CPIMA**

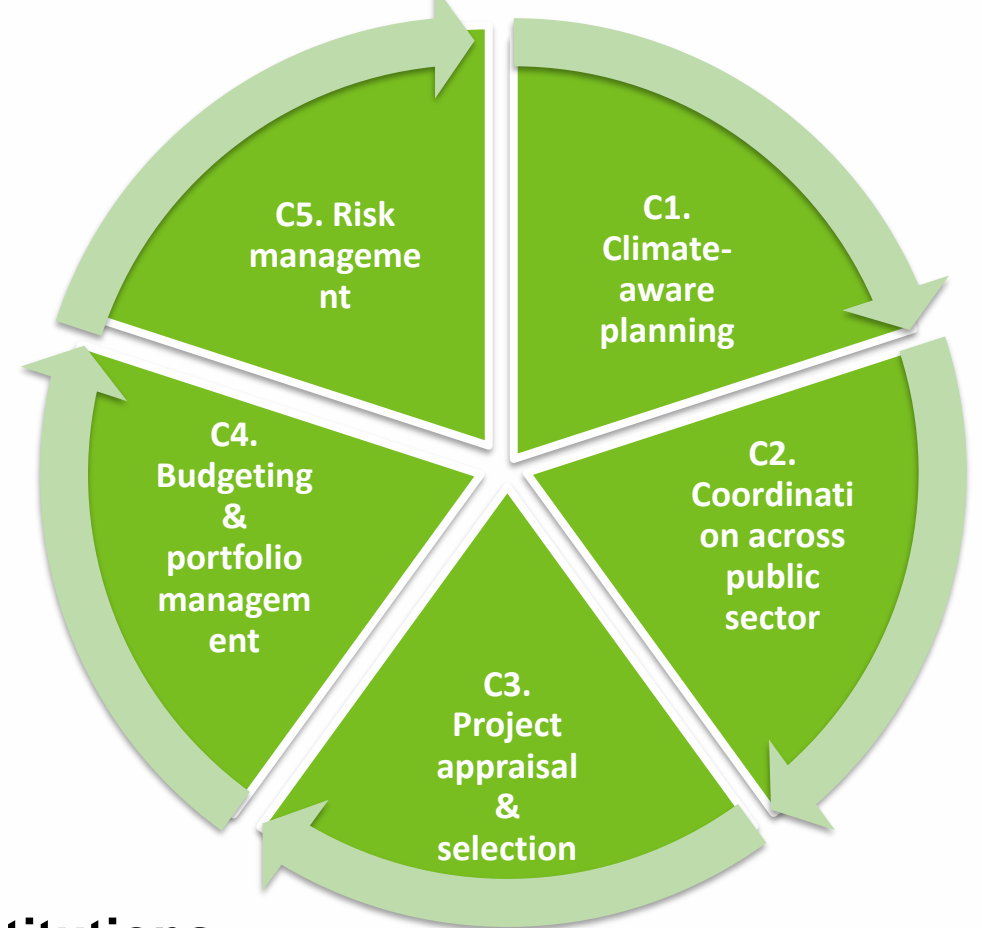
# Climate PIMA: making public investment green and resilient

## PIMA Framework



## Climate PIMA (CPIMA)

Module developed with the financial support of the EU



+ Cross-Cutting Institutions

*Legal Framework, IT System, Staff Capacity*

# Benefits of undertaking a CPIMA

## Identifies strengths and weaknesses

- Assess institutional readiness and gaps in public investment management against the backdrop of climate change challenges.

## Road map for reform

- Identifies reform actions and potential CD support from the IMF and other organizations, including the EU.

## Access to global climate financing

- Increase opportunities to access climate funds and financing
- Possible linkage with IMF's Resilience and Sustainability Trust (RST)

## Peer exchange

- Learn from—and share experiences with—other countries that face similar issues and challenges.

## CPIMA activities

- **CPIMAs to date** – 12 missions (some financed by EU)
- **Pipeline of CPIMA requests** – 18, across all regions – e.g. Benin, Cambodia, Guatemala, Seychelles...
- **Follow-up missions**
- **Regional / national training workshops**
- **CPIMA Field Guide** – to be published later in 2023



Note: Placement of country borders and names do not necessarily reflect the IMF's official position.

**For more information:**

[infrastructuregovern.imf.org](https://infrastructuregovern.imf.org)



# **Green Public Financial Management** **(« Green PFM »)**



# What is Green Public Financial Management (PFM)?

**Green PFM** is the **integration** of a climate-friendly perspective into PFM **practices, systems and frameworks** – especially the budget process in the broadest sense – in the objective to promote fiscal policies that are **responsive** to climate (and environmental) concerns.

# A Holistic View Of Green PFM Practices



- ❖ Amending existing PFM laws to include climate elements
- ❖ Enacting specific climate action laws



- ❖ Climate objectives / targets
- ❖ Climate-responsive macro-fiscal framework
- ❖ LT sustainability / risk analysis



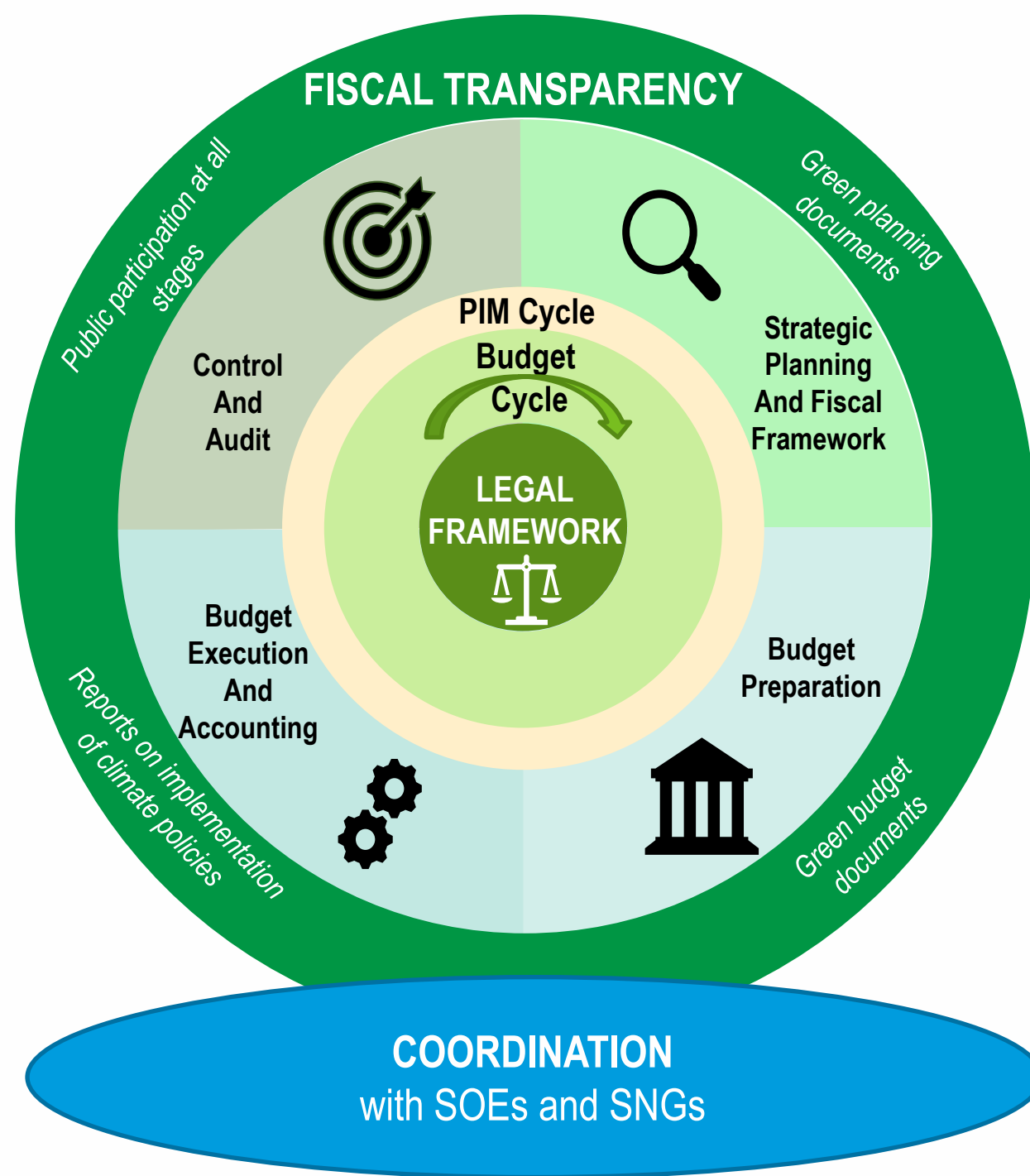
- ❖ Climate impact assessments / CBA
- ❖ Green / climate spending reviews
- ❖ Climate budget circular
- ❖ Green-responsive program budget



- ❖ Tagging climate expenditure
- ❖ Green trackers
- ❖ Green performance monitoring



- ❖ Ex-post climate / green audits
- ❖ Climate watchdogs
- ❖ Parliamentary oversight





# CD Activities relating to Green PFM

## Technical assistance

- Growing demand
- Recent missions in Turks and Caicos, Rwanda, Serbia
- PFM component of CMAP missions (e.g. Madagascar, Samoa)

## Training

- Regional seminars, workshops, roundtables, organized with IMF's regional CD centers / institutes
- Collaboration with UNDP

## Analytical work

- Staff climate note
- Joint EU-OECD-IMF paper
- Upcoming how-to-note



# Fiscal Risks From Climate Change

# New Fiscal Risk Tool: Fiscal Risks from Climate Change

**Strong demand from countries to assess the long-term fiscal risks arising from climate change**

- Countries such as the UK and Switzerland have begun incorporating this analysis in fiscal risk statements

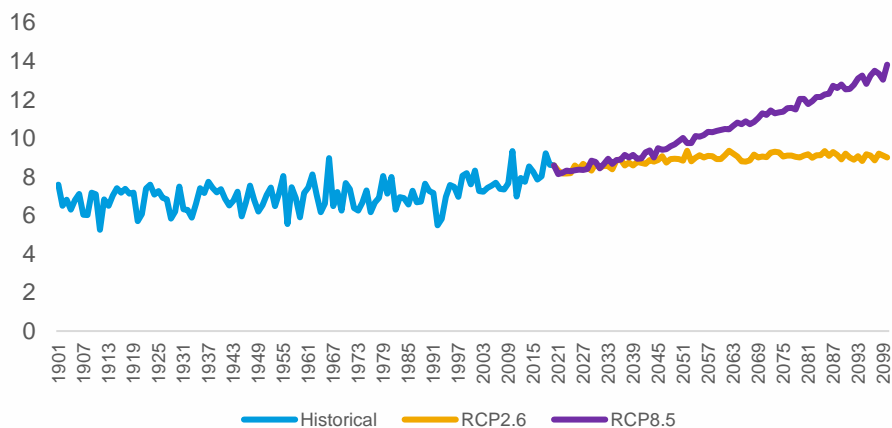
**FAD is developing a new approach to incorporate fiscal pressures from climate change into long-term fiscal projections by:**

- Developing a **long-term baseline fiscal projection**, incorporating demographic effects
- Projecting the **macroeconomic and fiscal impact of alternate ICPP temperature** scenarios over the remainder of the century
- Modelling the impact of more frequent and severe **natural disasters** on the public finances
- Identifying climate change related **discrete fiscal risks** and potential stranded public **infrastructure** assets.

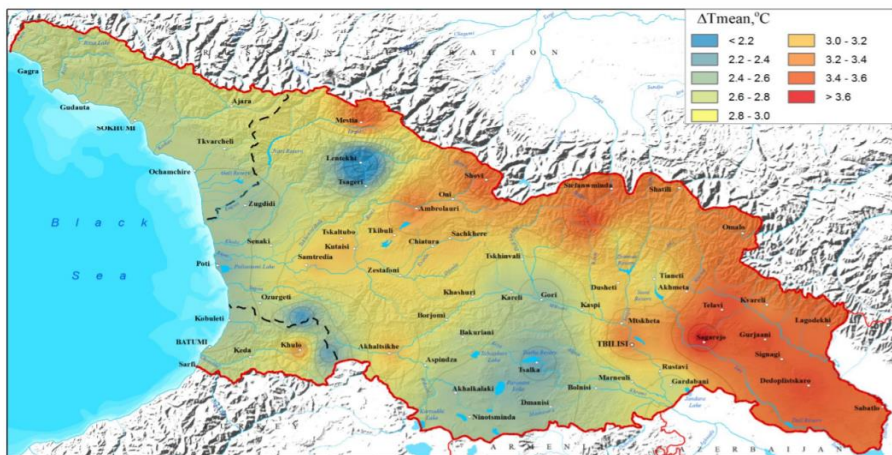
**Piloted in Georgia & Armenia; planned for Rwanda, Barbados and Pakistan**

# Georgia: Impact of climate change on public finances

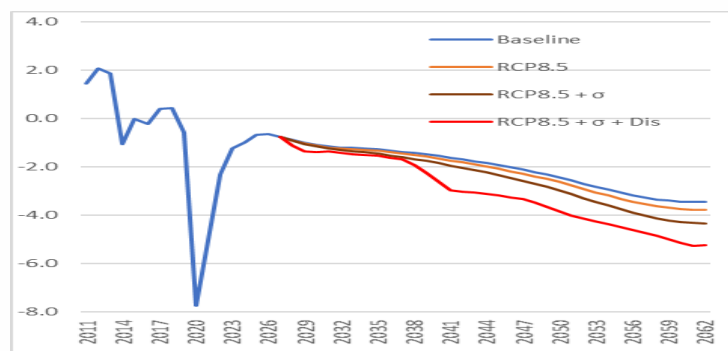
## Projected average temperatures



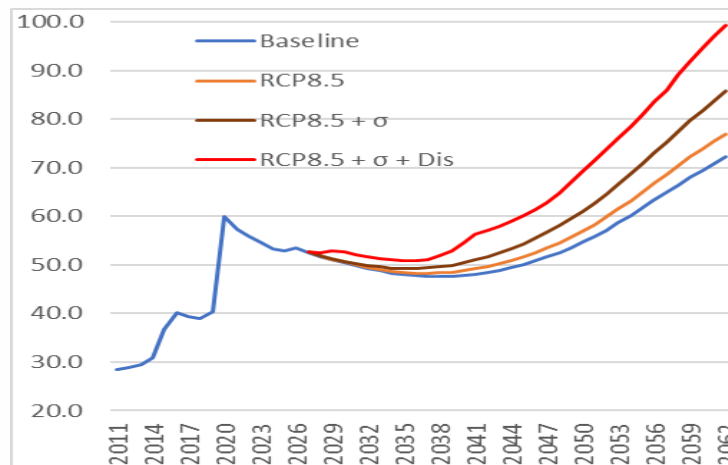
## Projected change in temperature



## Primary Balance (percent of GDP)



## Public Debt (percent of GDP)

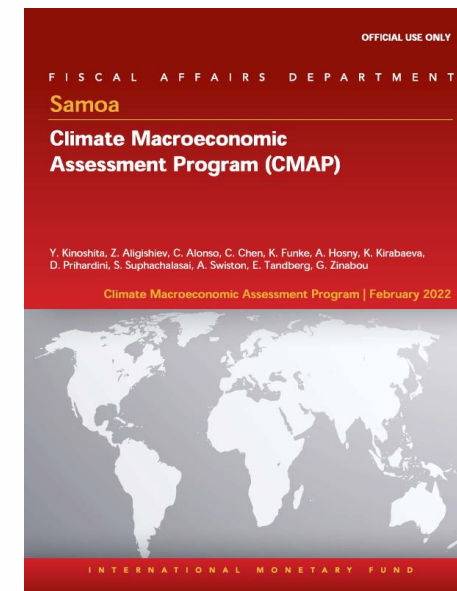


# **Climate Macroeconomic Assessment Program (CMAP), Climate Policy Assessment Tool (CPAT), and Climate Training**

# Climate Macroeconomic Assessment Program (CMAP)



- The CMAP is a climate diagnostic tool to help countries build resilience and integrate climate policies into their macroeconomic policy framework to cope with the economic impact of climate change.
- **CMAP Review:** Two pilots (Samoa, Madagascar) were conducted and the CMAP review is under way to inform way forward (early 2023)





# The Climate Policy Assessment Tool (CPAT)

- A spreadsheet-based 'model of models' for 190 countries, being developed jointly by IMF & World Bank
- Allows for **estimating the effects of climate mitigation policies** – carbon pricing and fossil fuel subsidy reform:
  - **impact on energy & emissions** – prices, consumption, global pollutants (GHGs), local pollutants (PM2.5, NOx, etc.)
  - **macroeconomic impacts** – GDP, revenues, trade balance
  - **distributional impacts** – effects of policies including revenue recycling across on households (across income distribution and urban vs. rural) and firms
  - **development co-benefits** – reductions in mortality & morbidity from improved in air quality and road safety, reduced congestion
- **Helps policymakers assess impacts and design, compare, and implement** policies to achieve their climate mitigation targets (Paris Agreement NDCs) and development goals (SDGs) jointly



# Climate Training

- **Climate Change 101** – For about 1600 IMF economists; a series of lectures on basics of climate change science and policies. Prepared by six functional departments (FAD, RES, MCM, STA, ICD, and COM)
- **Climate Change 101 edX online course for external audience** – Helps build essential knowledge for staff at the Ministry of Finance and Central Banks. Almost 2000 gov't officials registered over the four already released modules of MCCx. See links to courses below:
  - [Overview \(Science, Economics, and Policies\)](#)
  - [Mitigation](#)
  - [Transition to NZ](#)
  - [Adaptation](#)
- **Climate Bootcamps** – Hands-on seminars on specific tools, data and resources for climate-related policy analysis.





**Thank you!**