



TASK FORCE
ON CLIMATE,
DEVELOPMENT
AND THE IMF

Toward Development-Centered Climate Policy at the International Monetary Fund

The background features a dark blue field on the right and a white field on the left, separated by a diagonal white line. A light blue triangular shape is positioned in the upper left, overlapping the white background.

OVERVIEW

A CONSORTIUM OF
**GLOBAL
EXPERTS**

Intergovernmental Group of 24

Vulnerable Group of 20 Ministers of Finance

African Economic Research Consortium

Centre for Social and Economic Progress

Boston University Global Development Policy Center

Macro and Green Finance Lab, National School of
Development, Peking University

United Nations Economic Commission for Latin
America and the Caribbean

WITH A
**COMMON
VISION**

Utilizing **rigorous, empirical research** to advance a **development-centered approach** to climate change at the IMF.

The IMF **supporting a globally coordinated response** is vital to achieving resilient, just transitions to a low-carbon economy.

IMPACT



Advancing empirical research to inform a development-centered approach to climate policy at the IMF.

Engaging in policy dialogue with IMF staff, leadership and key stakeholders through strategic briefings and published commentary.

Establishing a global narrative in top publications (*Financial Times*, *Project Syndicate*) + with key leadership, including US Treasury Secretary Janet Yellen.

BY THE NUMBERS

137+
MEDIA
MENTIONS

22
PUBLICATIONS

9,166
WEB VIEWS

608
WEBINAR
ATTENDEES

4
PUBLISHED
COMMENTARIES

The background features a dark blue field on the right and a white field on the left, separated by a diagonal white line. A light blue triangular shape is positioned in the upper left, partially overlapping the white area.

THE ISSUE

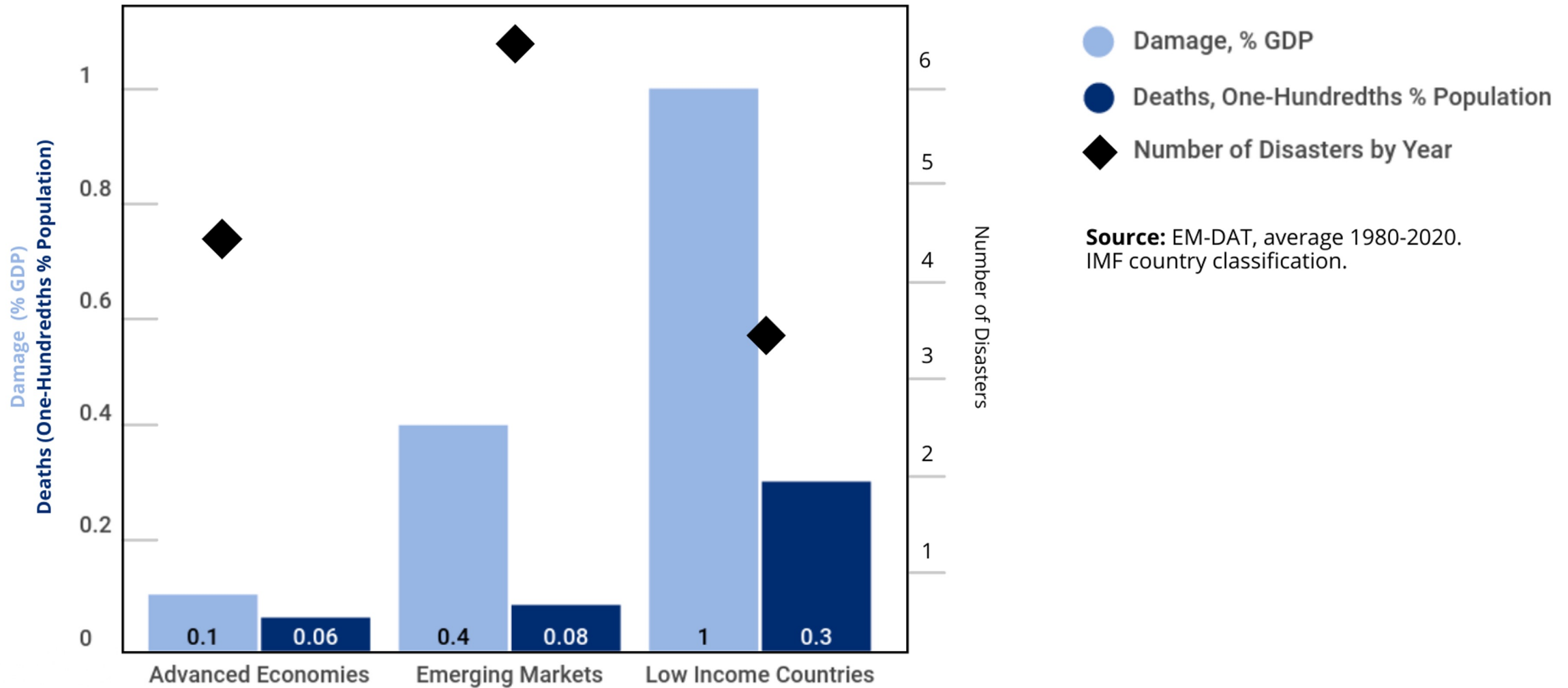
Why a **development-centered approach** is important:

Inaction by the world's major carbon emitters will have disproportionately higher costs on developing countries.

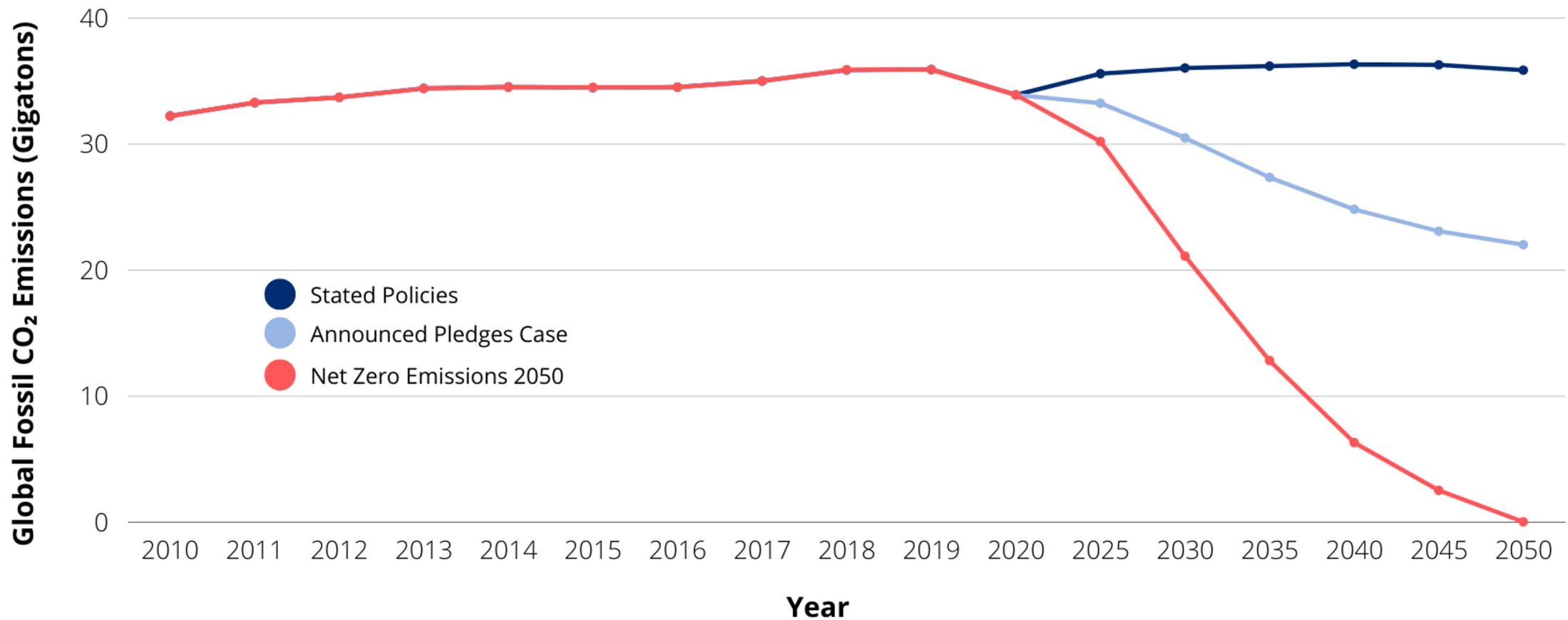
Poor and climate vulnerable countries need immediate focus on adaptation and resilience.

Growth-enhancing structural transformation will need to be the cornerstone of all mitigation, adaptation & resilience strategies.

The **Uneven Cost** of Climate Impacts

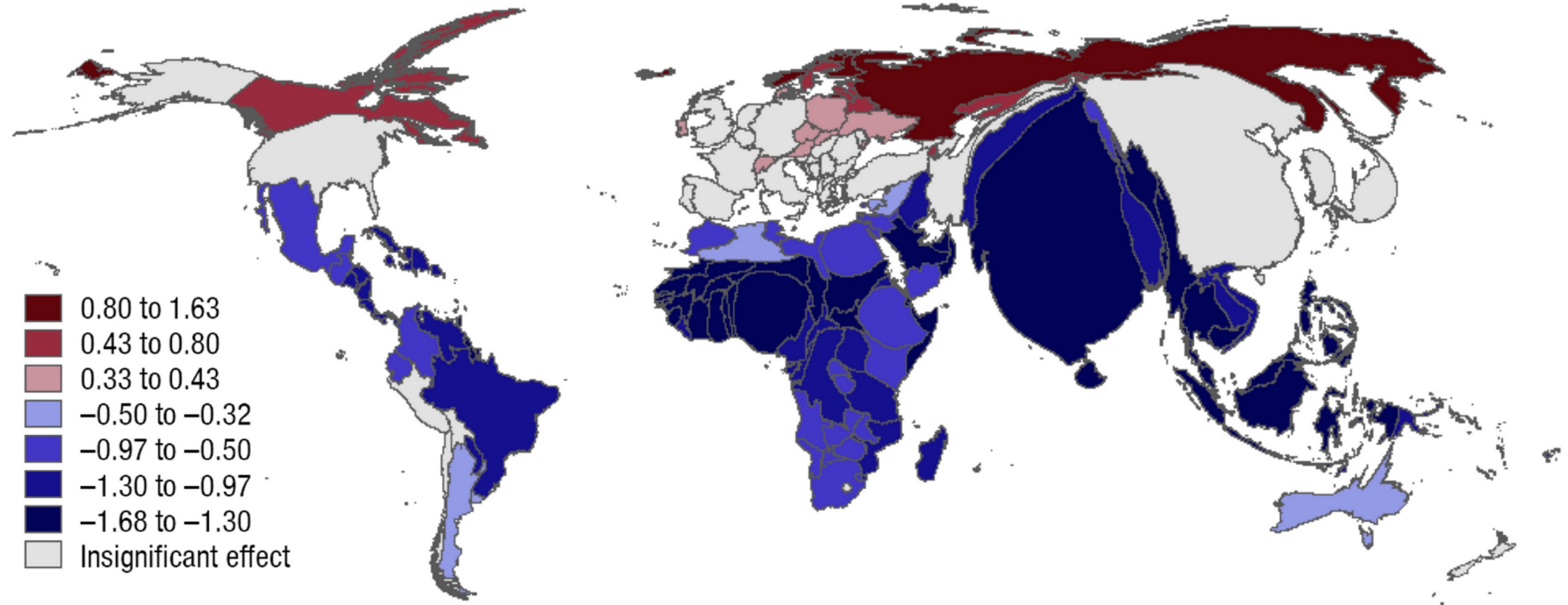


Current Pledges and Emissions Pathways



Source: International Energy Agency

Effect of 1°C Increase in Temperature on Real per Capita Output at the Country Level, with Countries Rescaled in Proportion to their Population



Source: IMF, 2017.

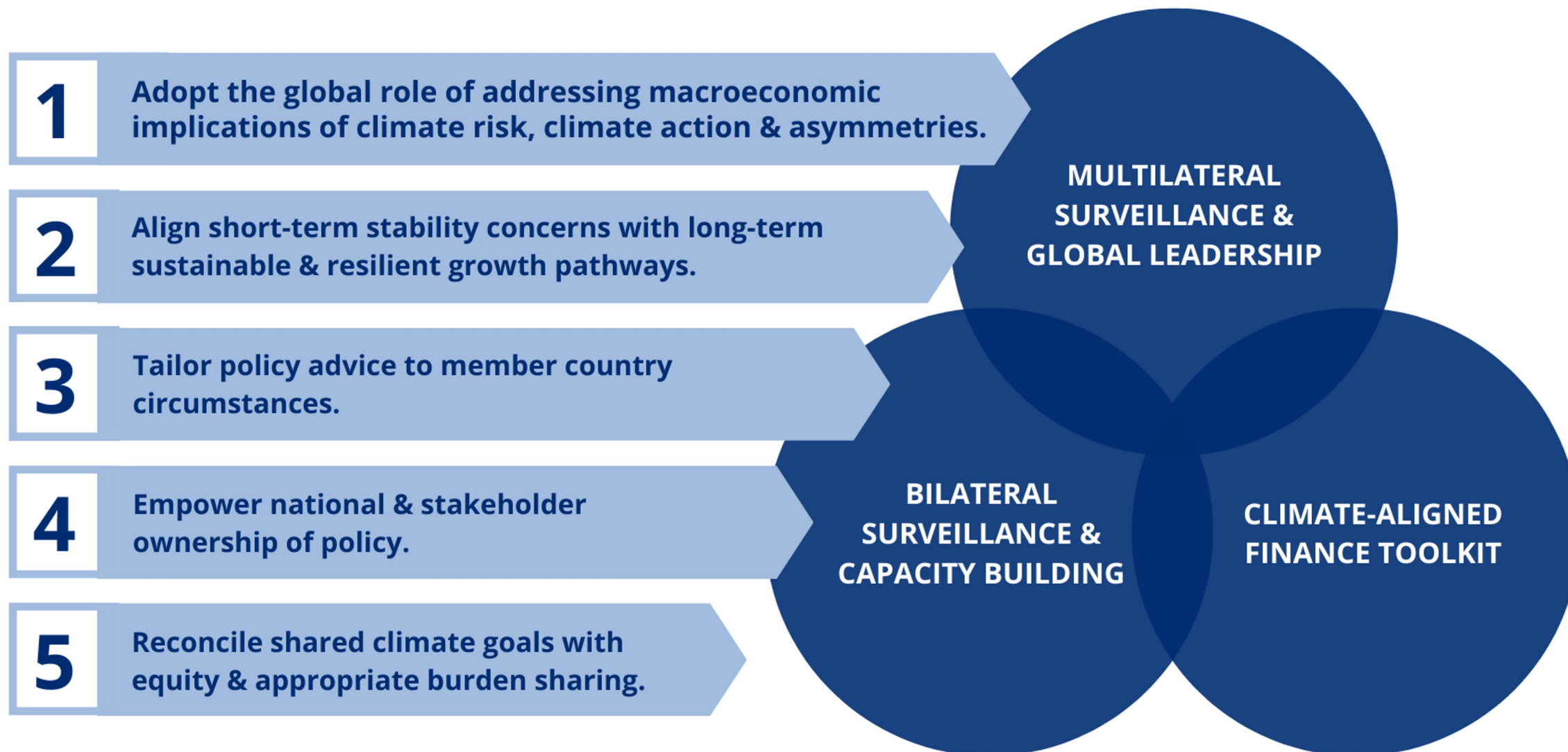
An **IMF climate strategy** should address:

Global & national macroeconomic implications of climate risk

Global & coordinated national policy frameworks

Resource mobilization for green & resilient growth

5 GUIDING PRINCIPLES & 3 ESSENTIAL ELEMENTS FOR DEVELOPMENT-CENTERED CLIMATE POLICY AT THE IMF



The background features a dark blue field on the right and a white field on the left, separated by a diagonal white line. A light blue triangular shape is positioned in the upper left, overlapping the white field.

THE
LANDSCAPE

OVERVIEW

- What is the IMF doing on climate?
- How is the IMF operationalizing its climate strategy?
- How are decisions made in this process?
- What comes next?

THE IMF &
CLIMATE CHANGE

ANTECEDENTS OF **AN IMF CLIMATE STRATEGY**

- Climate issues covered in outputs on ad-hoc basis for over a decade
- Catastrophe Containment and Relief Trust (CCRT)
- Climate considerations + "green" fiscal adjustment measures deployed in several programs:
 - Fuel + energy subsidy reform
 - Carbon taxes
 - Financial resilience building
 - Disaster clauses in debt contracts

'MACRO-CRITICAL' RISK

A part of the IMF's mandate

COMPREHENSIVE SURVEILLANCE REVIEW

MAY 2021

Includes background paper on
integrating climate into Article
IV reports

*Staff Guidance Note
forthcoming*

IMF CLIMATE STRATEGY

JULY 2021

Strategy document for a systematic
integration of climate into all IMF
activities

Sets targets for planned outputs on
climate

Climate measures that address BoP
issues could further be internalized in
all loan programs

IMF CLIMATE **FOCUS AREAS**

MITIGATION

Focus on the largest emitters
Contribution to global efforts
to reduce emissions

ADAPTATION + RESILIENCE

For countries at risk of impacts
Fiscal and monetary challenges
of frequent shocks

TRANSITION MANAGEMENT

Macro-critical challenges for all members
arising from the global transition

Focus on domestic efforts to
reduce emissions

"FIRST-BEST" MITIGATION POLICY

According to the CSR Climate paper, there is **"fairly robust consensus"** amongst economists about the elements needed for most efficient mitigation:

Comprehensive carbon pricing

Structural policies to address market failures and facilitate structural change

PLANNED COVERAGE
OF CLIMATE ISSUES

TECHNICAL ASSISTANCE

Financial Stability Assessments for 12 countries/year, in collaboration with the World Bank.

Climate Macroeconomic Assessment Program* (CMAP) for 10 countries/year.

Single related-issue support for 87 countries/year.

Online courses on the macroeconomics of climate change for staff + policymakers.

ARTICLE IV SURVEILLANCE

Adaptation and resilience for 20 countries/year.

Mitigation (targeting largest emitters) for 7-10 countries/year.

In-depth coverage of transition management for 8-9 countries/year.

Standardized coverage of transition management for 25 countries/year.

RESEARCH

Cover in 1-2 chapters of **flagship reports**/year.

Cover in 1-2 chapters of **Regional Economic Outlook Reports**/year.

Publish 3-7 **Staff Climate Notes** yearly.

Develop **models, diagnostic and analytical tools**.

POLICY

Publish 1-3 **Policy Papers** each year.

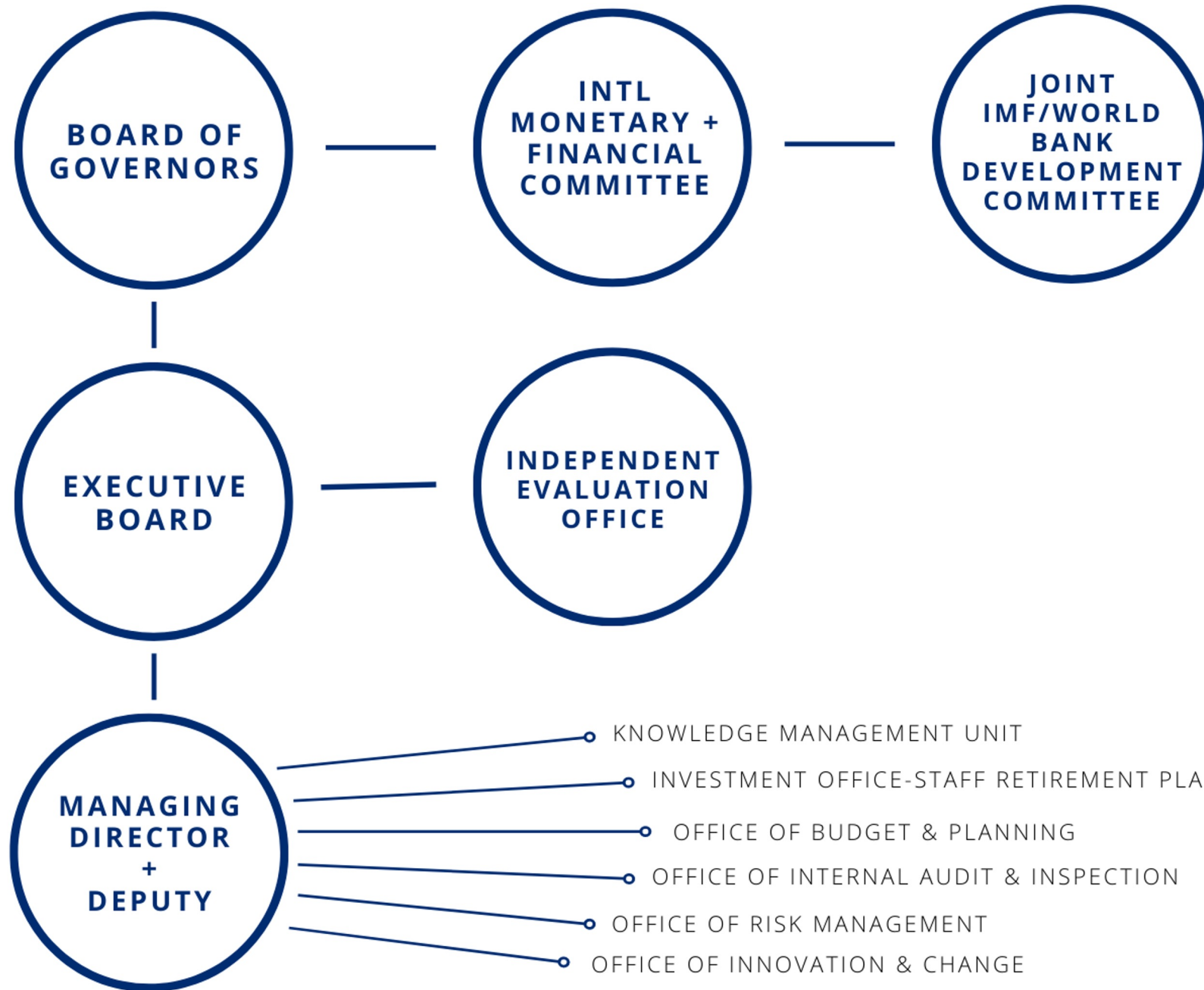
Follow-up on policy papers with **guidance notes and templates**.

In 2022, finalize framework of **qualifying reforms for the RST**, with the World Bank.

Operationalize climate module in MAC-DSA.

IMF

GOVERNANCE



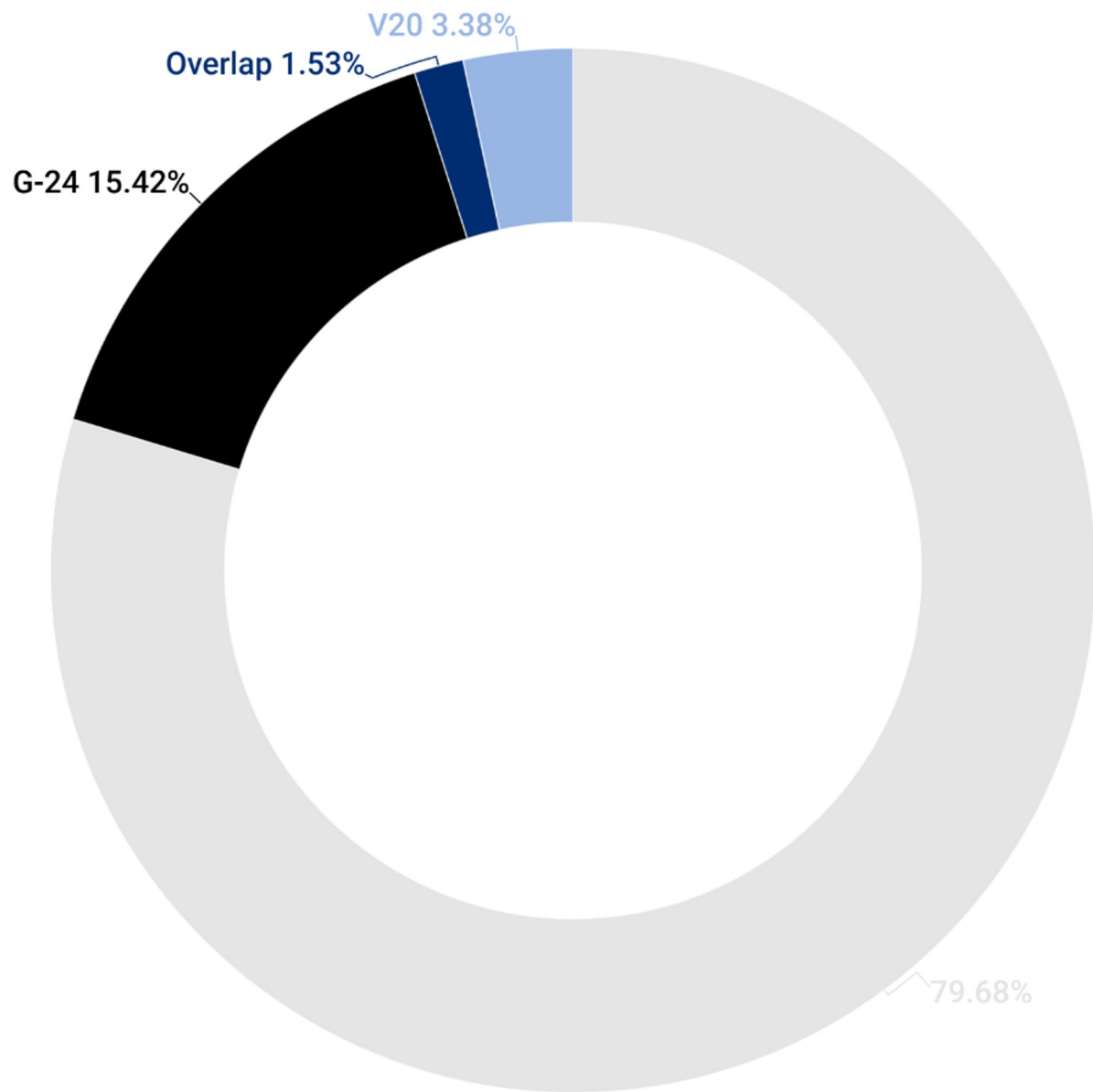
VOTING
POWER

V20 + G-24

VOTING SHARES

20.3%

COMBINED VOTING SHARE



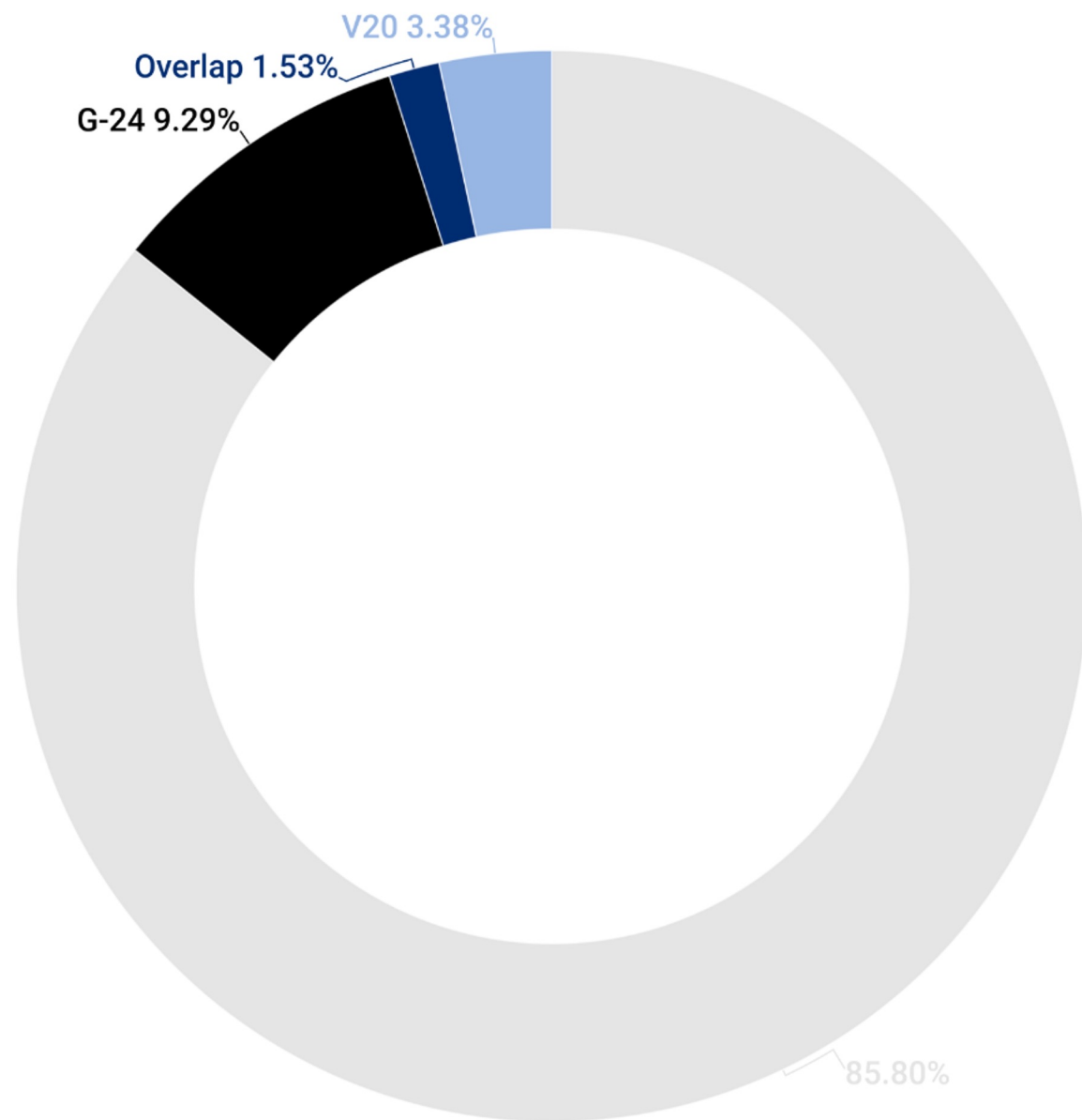
V20 + G-24

VOTING SHARES

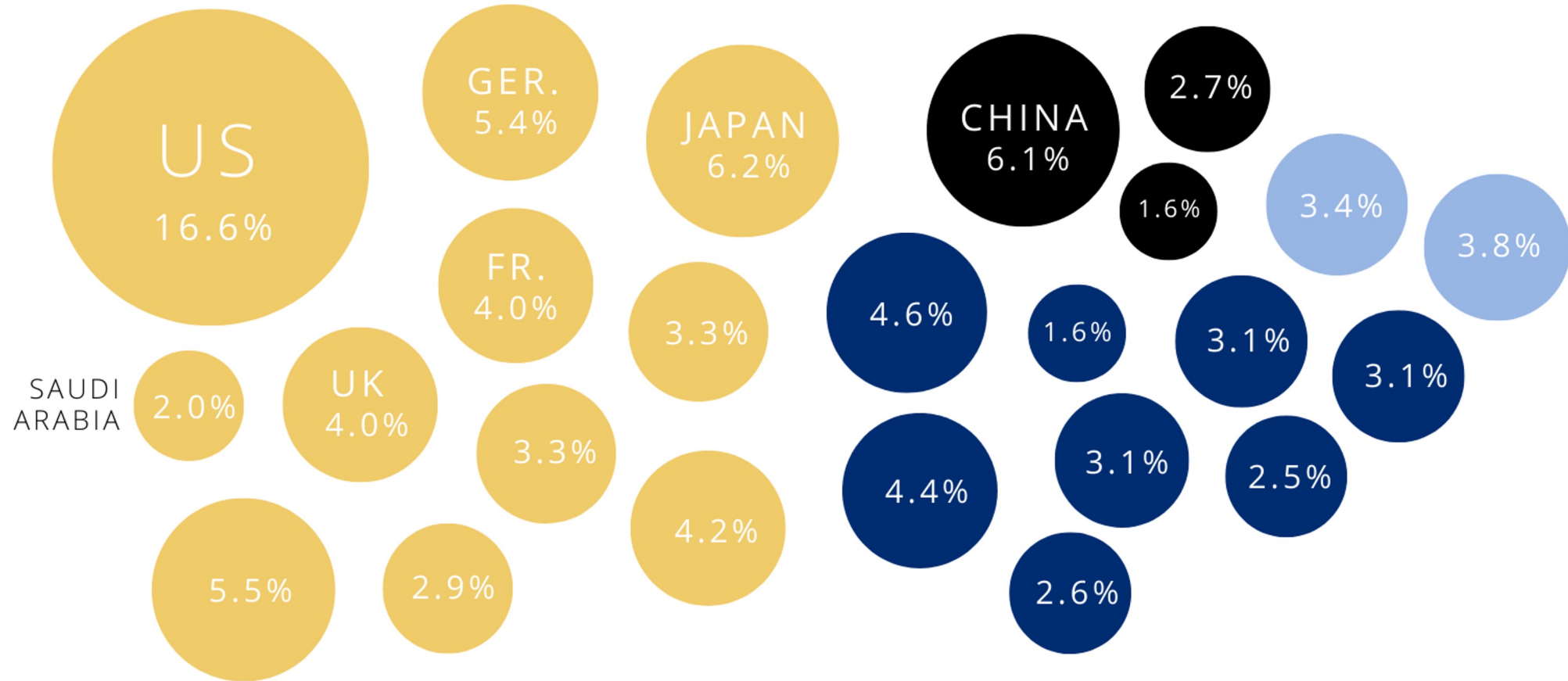
WITHOUT CHINA

14.2%

COMBINED VOTING SHARE



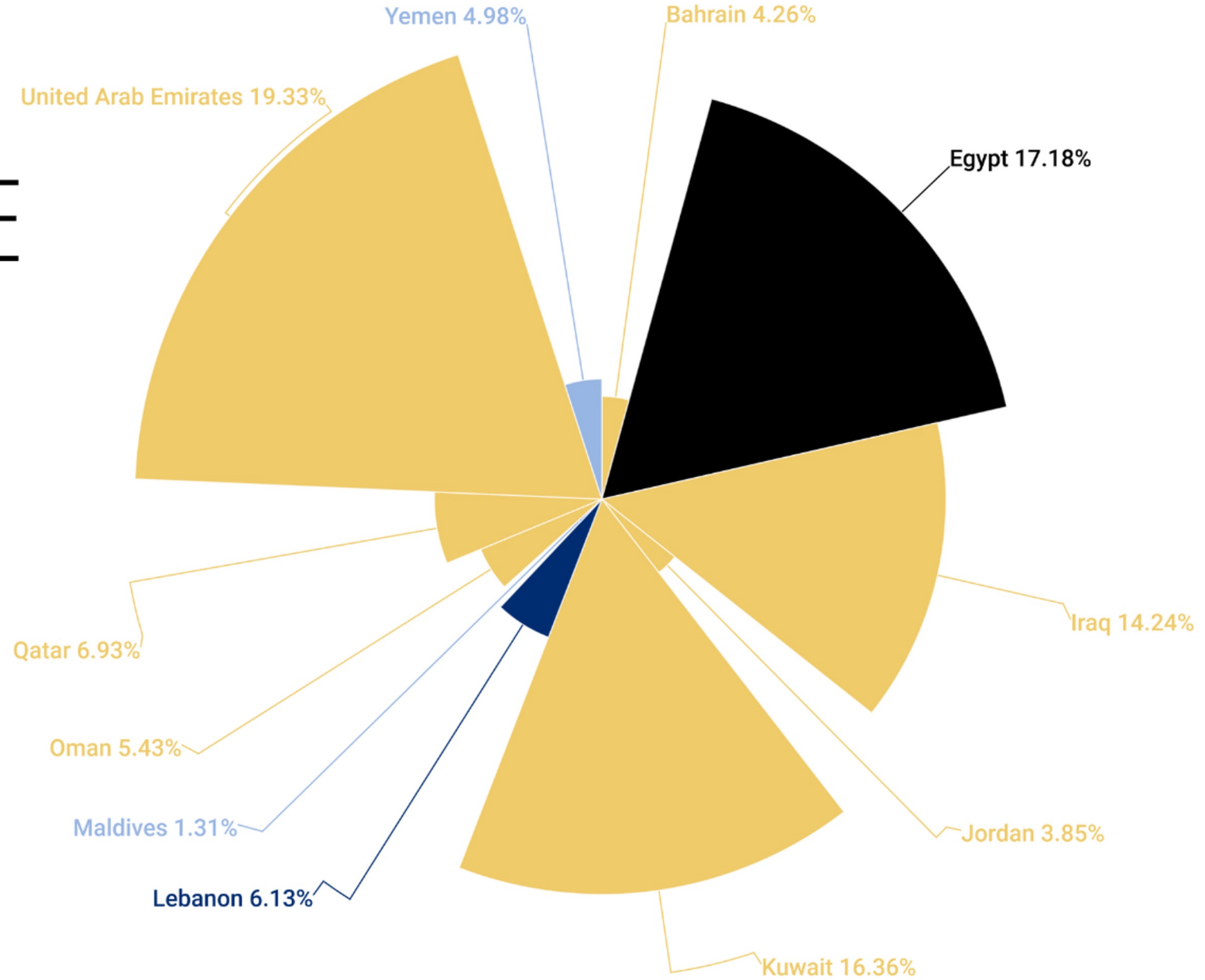
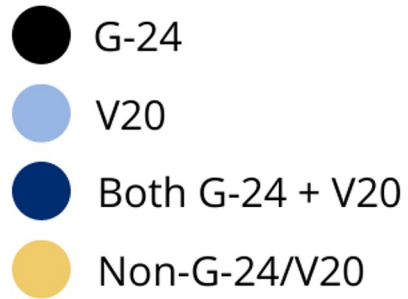
EXECUTIVE BOARD OFFICES



● G-24 ● V20 ● Both G-24 + V20 ● Non-G-24/V20

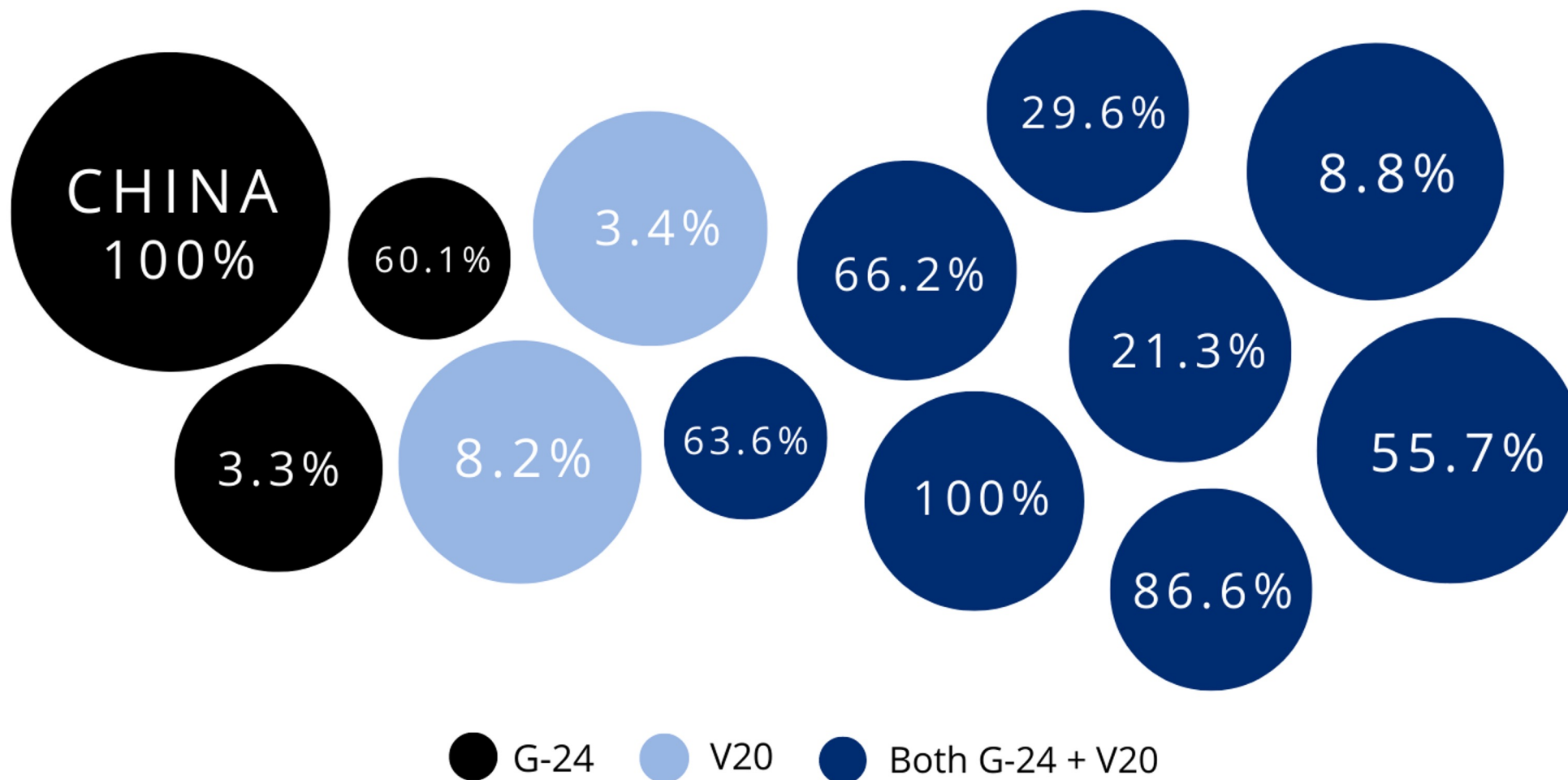
OFFICE IMBALANCE

COUNTRY VOTING SHARES



EXECUTIVE BOARD OFFICES

G-24 + V20 VOTING WEIGHT



16.5%

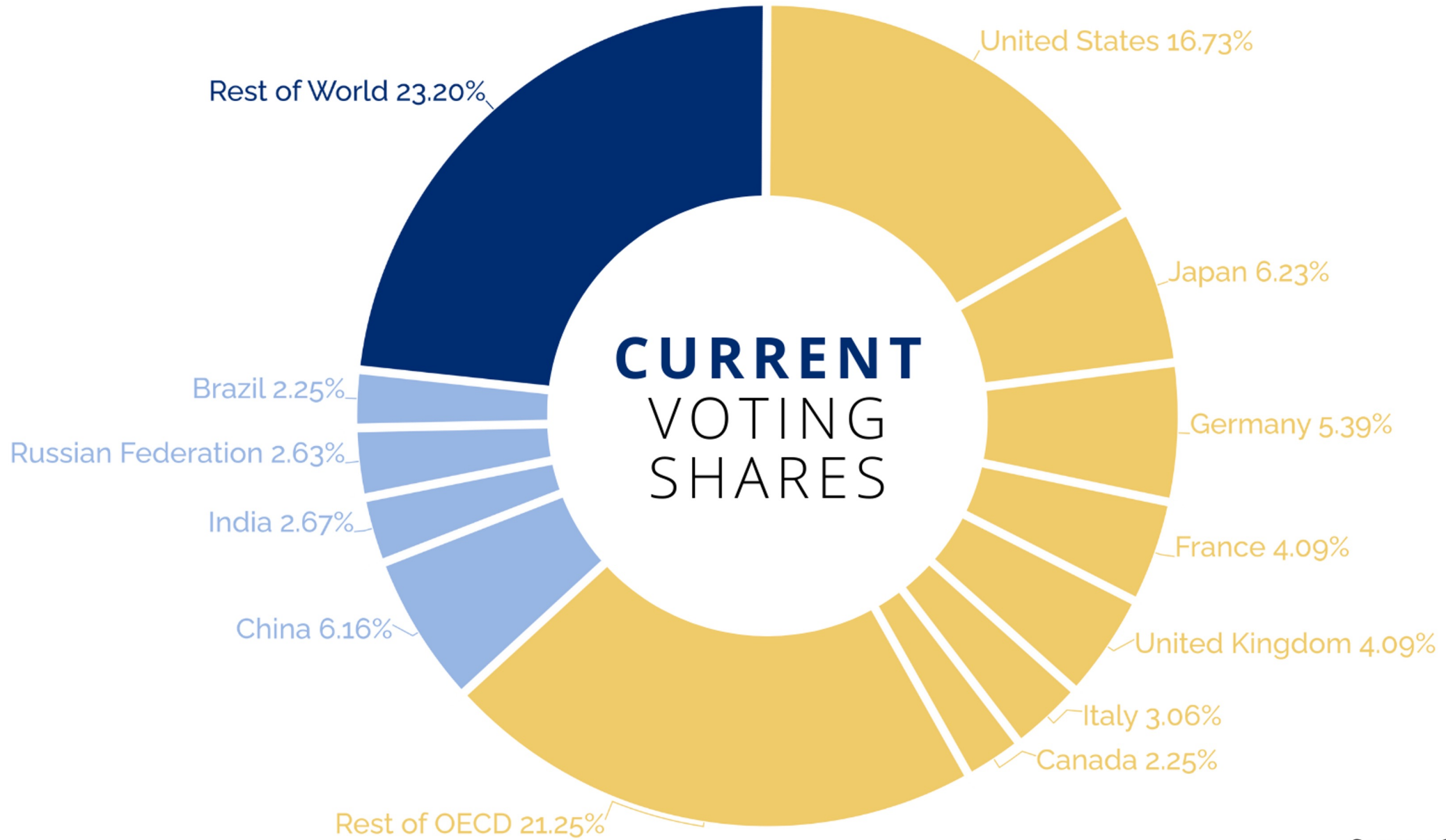
VOTING SHARE OF
OFFICES WHERE G-24/V20
HAVE MAJORITY

11.8%

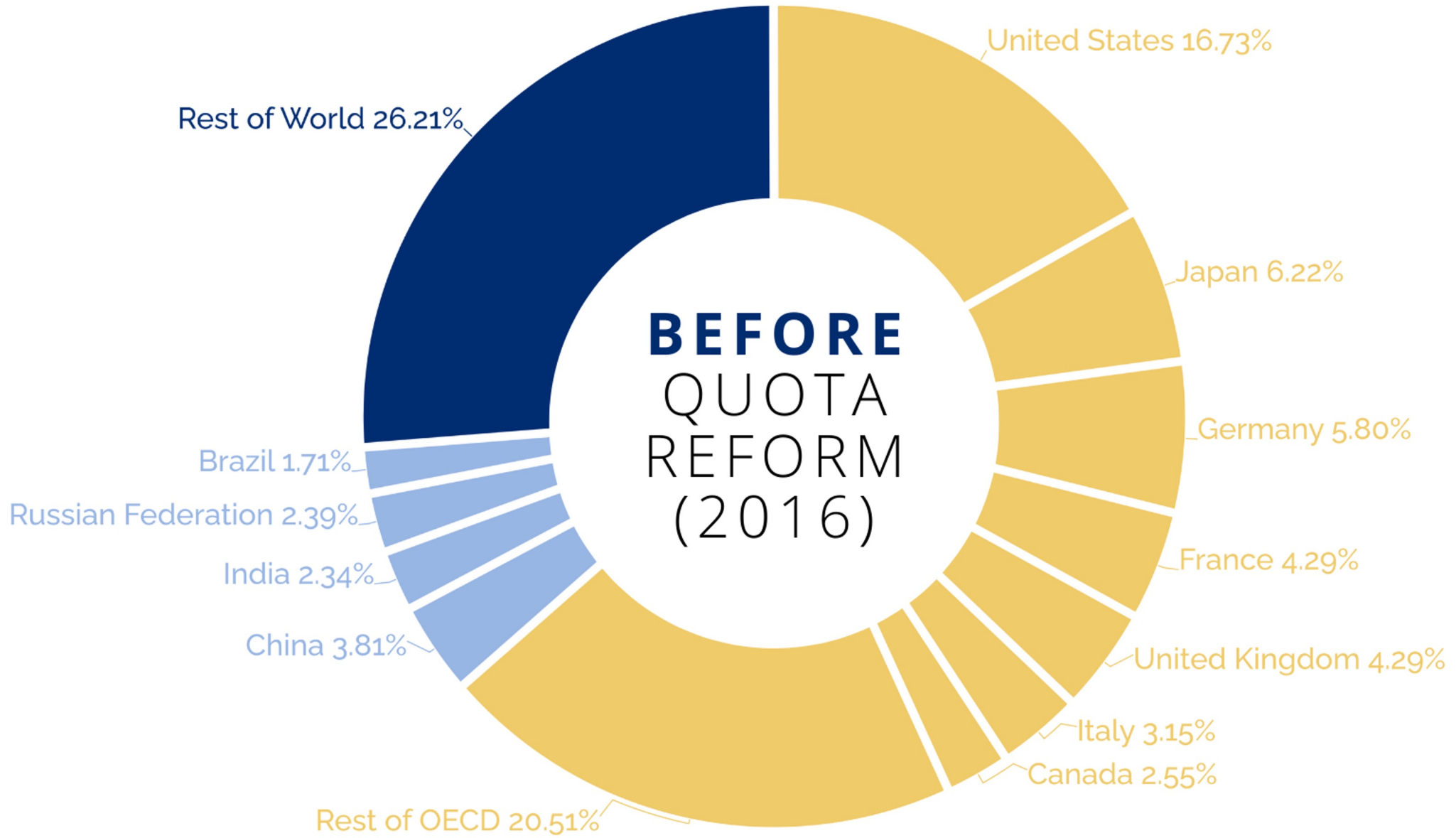
VOTING SHARE OF
OFFICES WHERE G-24
HAS MAJORITY

42.6%

VOTING SHARE OF OFFICES
WITH SOME G-24/V20



Source: CEPR



Source: CEPR

POLICY
AGENDA

REVIEW OF **IMF** QUOTAS

- Executive board will revisit adequacy of IMF quotas
- No changes to quotas and voting shares have been proposed since 2010 (implemented in 2016)
- US maintains veto over major decisions which require 85 per cent majority
- To increase resources without increasing quotas, IMF made “borrowing agreements” with specific countries
- Deadline to conclude 16th Review is December 2023

MANAGING DIRECTOR

AGENDA

- Scale-up coverage of climate-related macro-critical issues
- Replenish the Poverty Reduction and Growth Trust, the Catastrophe Containment and Relief Trust, and the for the Resilience and Sustainability Trust, including through SDR re-channeling.
- Announced proposal on “Debt-for-climate swaps” ahead of COP26, not yet released.

2022 EXECUTIVE BOARD WORK PROGRAM

Updated Guidance Note on Surveillance following Comprehensive Surveillance Review (2022)

Blueprint for all IMF surveillance for next 5-10 years
Was expected June 2022 but is delayed

Operationalizing of the Resilience and Sustainability Facility (2022)

Policy framework on qualifying reforms (draws on World Bank's Country Climate and Development Reports)

Climate module for long-term for Debt Sustainability Framework for Market Access Countries

Guidance Note

Implementation climate strategy,
review of frameworks and policy papers to operationalize it

Review of the Climate Macroeconomic Assessment Program

Planned reviews FY2023: Capacity Development Strategy and Catastrophe Containment and Relief Trust

The background features a dark blue field on the right and a white field on the left, separated by a diagonal white line. A light blue triangular shape is positioned in the upper-left quadrant, overlapping the white background.

RESEARCH

FISCAL IMPACTS OF DECARBONIZATION

KEY FISCAL FINDINGS

IN LATIN AMERICA + THE CARIBBEAN

- **Carbon taxes fall short.** Declining hydrocarbon revenues are not offset by revenues from other sources, such as carbon taxes.
- **Explosive debt.** Expenditures needed for net-zero emissions scenario investments would lead to explosive debt levels, reaching up to 200% of GDP in some countries.

IN INDIA

- **2x defense expenditure.** Fossil fuel revenues in India are even higher than previously thought.
- **Carbon taxes fall short.** Similar to LAC, a carbon tax would not be sufficient to offset budgetary pressures.

POLICY LESSONS

LONG-TERM FINANCING OPTIONS

at favorable terms and conditions are needed to help achieve a low-carbon transitions

GREEN PUBLIC INVESTMENTS

have large multiplier effects, and the IMF should experiment with building such multipliers into its analytic work and advising countries on how to both identify and budget for green public investments.

**TRANSITION
SPILLOVER RISKS &
IMF SURVEILLANCE**

KEY SPILLOVER FINDINGS

ON CARBON BORDER ADJUSTMENT MECHANISMS

- **Disproportionate impact** faced by countries that rely on carbon-intensive exports to the EU.
- **Welfare losses** in trade-exposed countries range from \$1-5 billion. Mozambique's economy would shrink by 2.5% due to decreased demand.
- **Imbalance of impacts.** The EU CBAM, at its broadest implementation, would result in an annual welfare gain in developed countries of \$141 billion, while developing countries suffer a loss of \$106 billion compared to the baseline scenario.

KEY SPILLOVER FINDINGS

ON PHASING OUT COAL

- **A 6% drop.** A decrease in coal demand from China could translate to a 6% drop in Indonesia's GDP by 2050.
- **Sweeping impact.** Indonesia's Employment, balance of payments and debt would also be impacted.

ON DEBT SUSTAINABILITY

- **Climate shocks** might significantly affect public debt trajectories and increase the probability of incurring a stress event.

POLICY LESSONS

MACRO-CRITICAL CLIMATE RISKS

should be incorporated into the IMF's toolkit. This paper provides a framework to identify channels of spillover risk and makes quantitative assessments which the IMF can use in FSAPs.

ASSESS + MONITOR CBAMS

on balance of payment positions of vulnerable countries. It should take initiative to support global policy coordination to address spillover effects of CBAMs.

BUILD ANALYTIC CAPACITY

and provide policy advice to member countries to design policy responses to spillovers.

IMPROVE DSAS

to incorporate climate risks.

UPCOMING
RESEARCH

BOSTON UNIVERSITY GLOBAL DEVELOPMENT POLICY CENTER/EDHEC

Implications of climate physical risk and transition spillover risk in Barbados for macroeconomic performance and public debt sustainability

AFRICAN ECONOMIC RESEARCH CONSORTIUM

Climate change risks and their consequences for growth and debt sustainability in Africa

CENTRE FOR SOCIAL AND ECONOMIC PROGRESS

Identifying the energy transition challenge for Indian states

UN ECONOMIC COMMISSION FOR LATIN AMERICA + THE CARIBBEAN

Climate investments and debt sustainability in the Latin America and the Caribbean

FINANCIAL FUTURES CENTER

Debt sustainability

QUESTIONS?



TASK FORCE
**ON CLIMATE,
DEVELOPMENT
AND THE IMF**