



TASK FORCE ON CLIMATE, DEVELOPMENT AND THE IMF

gdpcenter.org/TaskForce



TASK FORCE
ON CLIMATE,
DEVELOPMENT
AND THE IMF

The International Monetary Fund, Climate Change and Development

A Preliminary Assessment

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

Financial Futures Center

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

United Nations Commission for Latin America
and the Caribbean



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.



\$2.4 trillion must be mobilized annually to...



- **Accelerate** the low-carbon energy transition.
- **Address** loss and damage and respond to climate shocks.
- **Invest** in adaptation and resilience.
- **Protect** and restore natural capital.
- **Ensure** a just transition.

Climate change and climate change policy are macro-critical.



DIRECT IMPACTS

PHYSICAL RISK

Temperature
Precipitation
Agricultural Productivity
Sea Levels

Capital stock destruction
Shifts in prices from supply shock

TRANSITION RISK

Policy & Regulation
Technology Development
Consumer Preferences

Shifts in prices from structural changes
Carbon stranded assets

SPILLOVER TRANSITION RISK

Foreign Carbon Tax

Lower fossil fuel import
Shock on balance of payment

INDIRECT IMPACTS

BUSINESS

- Property damage and business disruption from severe weather
- Stranded assets and new capital expenditure due to transition
- Changing demand and costs
- Legal liability

HOUSEHOLD

- Loss of income
- Property damage and restrictions
- Increasing costs and affecting valuations

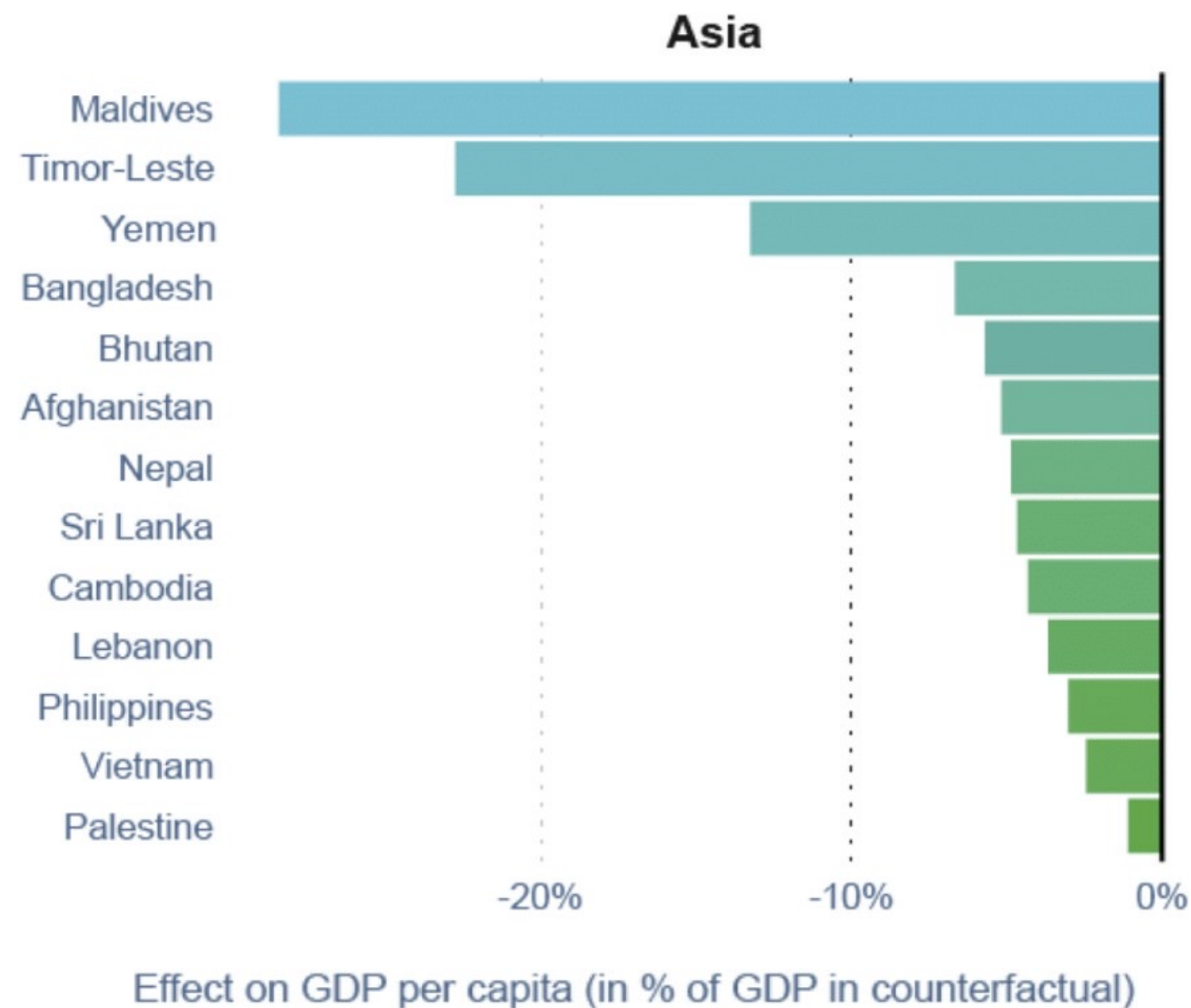
MACRO

- Capital depreciation
- Productivity changes
- Labor market frictions
- Socioeconomic changes
- Impacts on international trade, sovereign debt, government revenues, fiscal revenue, sovereign bond spread

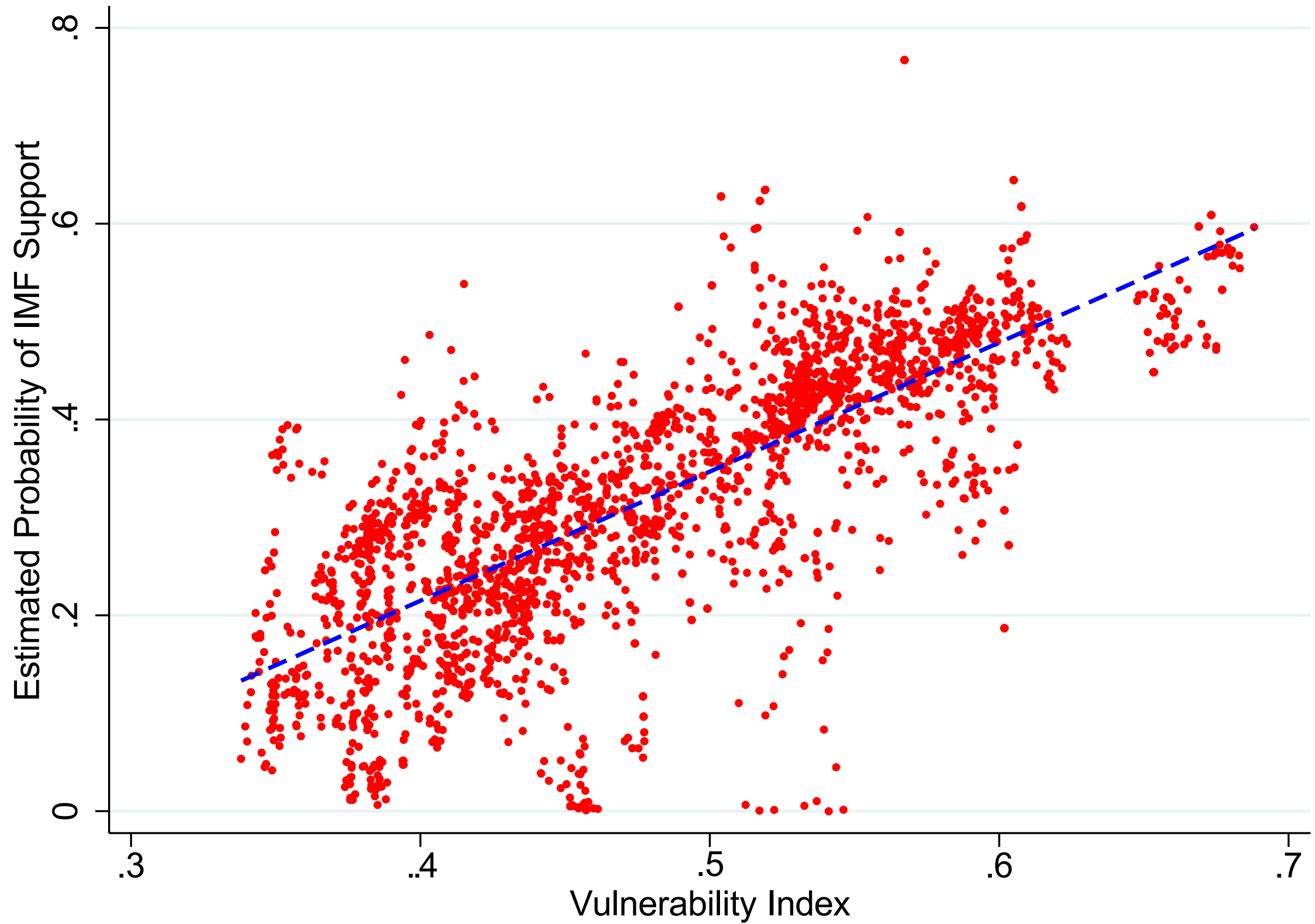
Climate vulnerable countries are contending with severe loss and damage.



Attributable Climate Change Economic Losses in V20 Countries



\$525 billion
total losses to V20 economies over the last two decades due to climate change.



Climate vulnerable countries are going to the IMF for support.

The IMF has a major role to play in ensuring that developing countries address climate change **in a manner consistent with development goals.**

THE OBJECTIVE



Produce an **objective, independent assessment** of the IMF's efforts to mainstream climate change using a development lens and advance actionable policy recommendations to the IMF and its stakeholders.

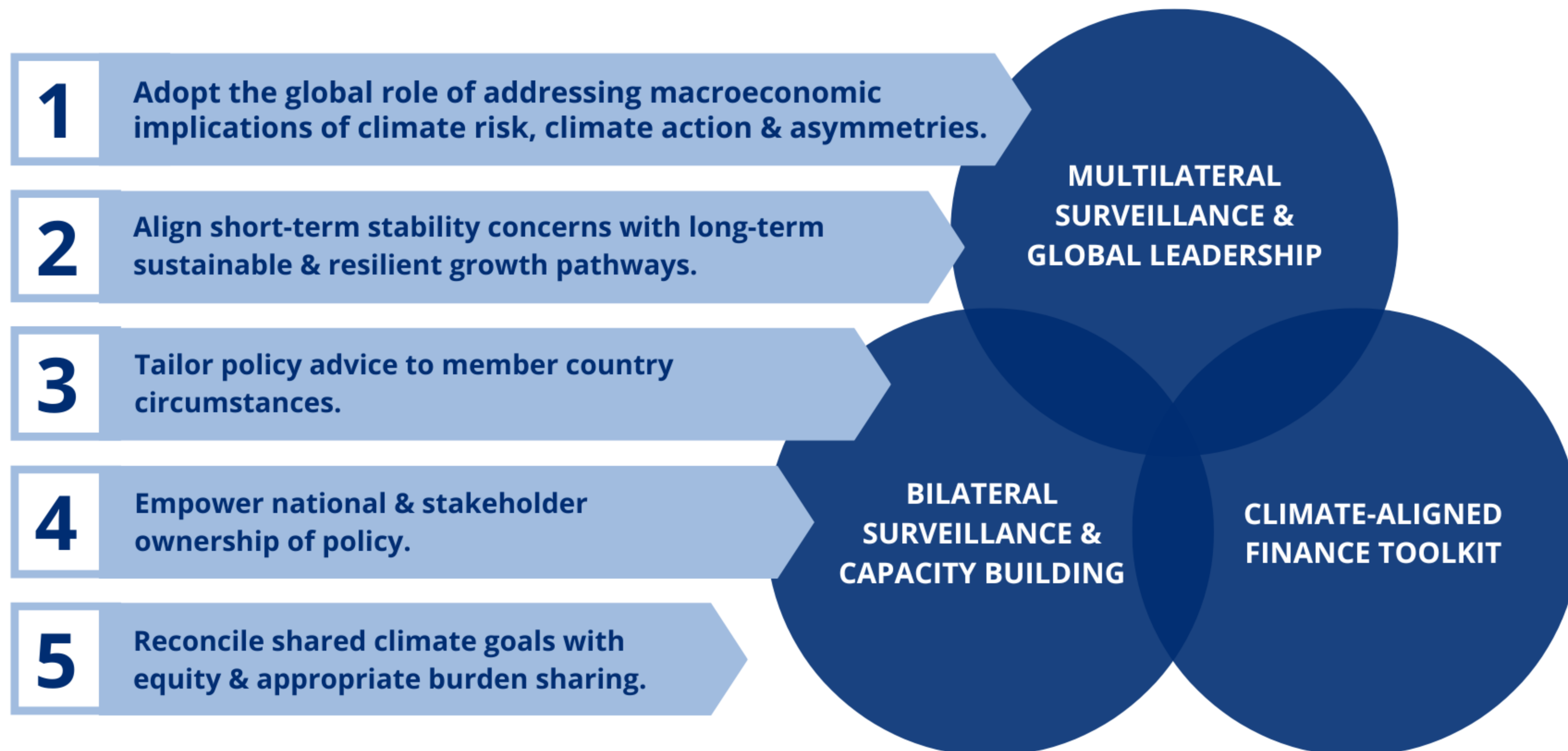
THE QUESTIONS



- How has the IMF begun to mainstream climate change?
- Based on Task Force research and the academic literature, what are the strengths and limitations of what the IMF has done so far?
- How can the IMF build on the strengths of their approach and address the limitations?

ADVANCING A DEVELOPMENT- CENTERED APPROACH

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



Greater leadership is needed from the IMF in 3 key areas



- 1** **Multilateral surveillance activities** have adopted a “one-size-fits-all” approach with carbon pricing as a panacea for climate action.
- 2** **Bilateral surveillance activities** underestimate the macroeconomic implications of financing climate transitions in a financially stable manner. Carbon pricing as the core of climate policy and as the primary means to generate revenue for resource mobilization.
- 3** **The IMF lending toolkit** lacks appropriate scale and overemphasizes short- term fiscal consolidation over long-run resource mobilization.

Policy Recommendations



1

Broaden multilateral surveillance activities to strengthen focus on an investment-led approach to a resilient and just transition, cross-border spillovers, loss and damage and the necessary global cooperation on resource mobilization.

2

Strengthen bilateral surveillance by deploying better analytical tools to analyze climate risks and their macro-critical impacts and **support capacity building** in developing countries.

3

Scale and reform the IMF lending toolkit, including the RSF, to align short- term and longer-run financing horizons without jeopardizing debt sustainability and growth prospects.



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