Building Capacity for Climate Action
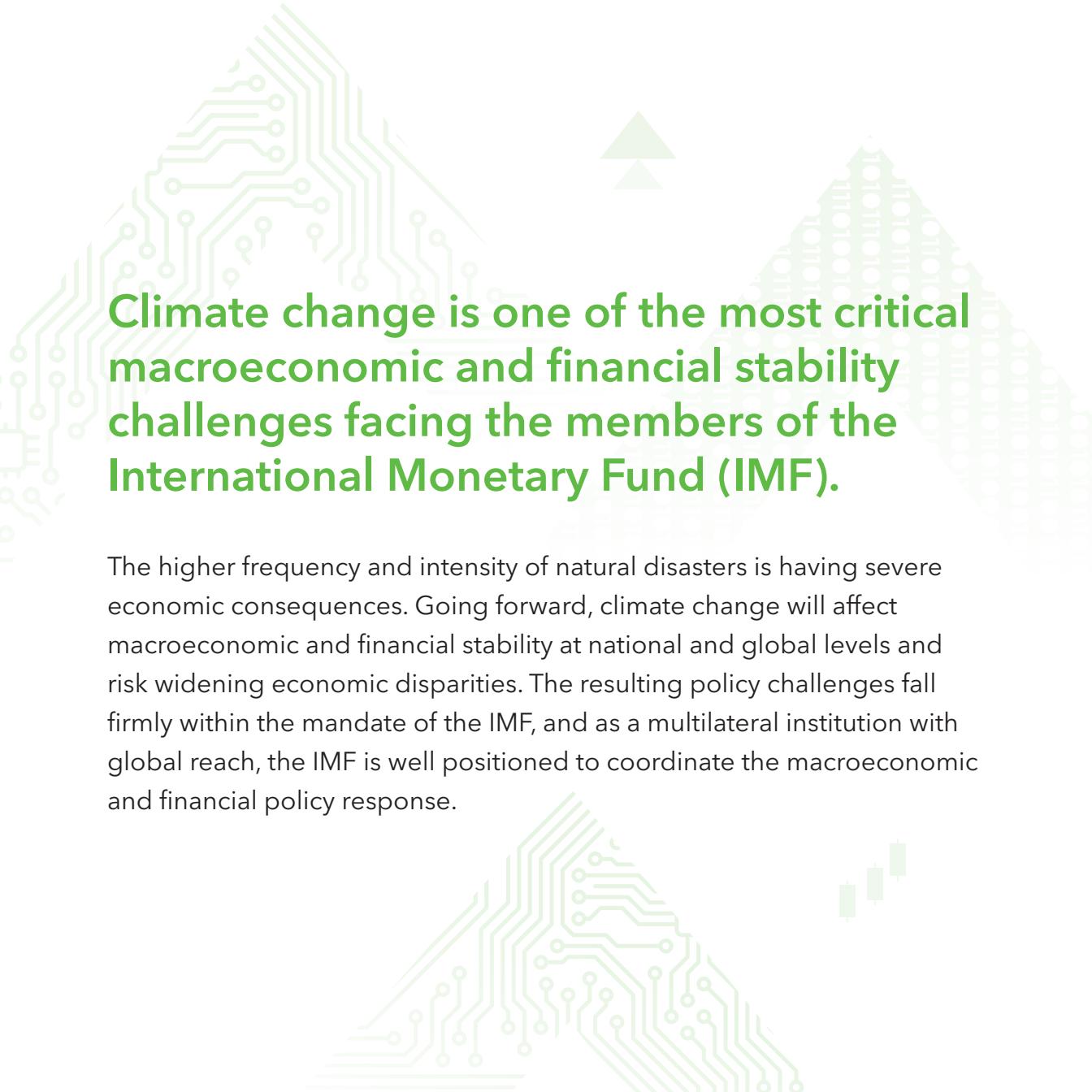
Climate change is one of the most critical macroeconomic and financial stability challenges facing the members of the International Monetary Fund (IMF).

The higher frequency and intensity of natural disasters is having severe economic consequences. Going forward, climate change will affect macroeconomic and financial stability at national and global levels and risk widening economic disparities. The resulting policy challenges fall firmly within the mandate of the IMF, and as a multilateral institution with global reach, the IMF is well positioned to coordinate the macroeconomic and financial policy response.

IMF CLIMATE-RELATED CAPACITY DEVELOPMENT SPANS ALL OF ITS AREAS OF EXPERTISE

The IMF will address the growing demand for climate-informed capacity development (CD) by bolstering (i) technical assistance on fiscal, financial, statistical, legal, and macroeconomic issues; (ii) training and micro-learning; and (iii) developing and scaling-up analytical tools and modeling. Support from partners will contribute to the success of these efforts through financing, implementation, knowledge-sharing, and coordination. IMF CD has been instrumental in helping countries design strong reform measures underpinning Resilience and Sustainability Facility (RSF) programs.

IMF CAPACITY DEVELOPMENT SUPPORTS COUNTRIES IN THE FOLLOWING AREAS, INCLUDING:

FISCAL POLICY AND MANAGEMENT

IMF CD provides support related to mitigation, adaptation, green public financial management (PFM), identification of fiscal risks related to climate change, the climate module of the Public Investment Management Assessment (C-PIMA), and other related analytical tools and diagnostic products, including the Climate Macroeconomic Assessment Program (CMAP) and other comprehensive climate policy diagnostic. These resources help integrate climate change and climate-related fiscal measures such as carbon pricing, fossil fuel subsidies, or green tax reforms into macro-fiscal planning and frameworks.

FINANCIAL SECTOR MANAGEMENT

IMF CD has integrated climate issues into its financial sector toolkits and provides tools for country analysis of climate risk and for strengthening the climate information architecture.

DATA AND STATISTICS

The IMF uses its climate change indicators dashboard, macroeconomic statistics, and innovative data collection techniques to anticipate economic shocks earlier.

LEGAL FRAMEWORKS, FINANCIAL INTEGRITY, AND ANTI-CORRUPTION

The IMF's Legal Department provides guidance on legal frameworks, financial integrity and anti-corruption related to climate change.

MACROECONOMIC FRAMEWORKS AND MODELING

The IMF's CD equips countries with tools and models to help integrate climate change and climate policies (mitigation, adaptation, energy transition) into macroeconomic frameworks. Such tools include, among others, the extension of the Public Debt Dynamics Tool that includes the effects of natural disasters (ND-DDT) and general equilibrium models such as the Debt-Investment-Growth and Natural Disasters (DIGNAD) that quantifies the macroeconomic benefits of investing in resilient infrastructure amidst natural disasters.

DELIVERY VEHICLES FOR CLIMATE CAPACITY DEVELOPMENT

Climate-related CD is delivered by staff from IMF Headquarters and by Regional Capacity Development Centers (RCDCs) serving members including those most vulnerable to climate change. RCDCs are increasing their engagement and delivery of climate related CD with the incorporation of climate activities into existing work programs. In-person CD is complemented by virtual delivery, creating additional channels to meet member demand for technical assistance, as well as regional trainings.

REGIONAL CAPACITY DEVELOPMENT CENTERS

IMF HQ

CAPTAC-DR   CARTAC

JVI
METAC
CCAMTAC
CEF
SARTTAC
CICDC

AFRITAC West   AFRITAC West 2
AFRITAC East
CDOT
STI

AFRITAC Central
ATI   AFRITAC South
PFTAC

STRENGTHENING COLLABORATION THROUGH PARTNERSHIPS

Partnerships are critical to meeting member demand and scaling-up CD. Staff from IMF will continue to work with bilateral and multilateral development partners, researchers, academic institutions, and a range of climate experts to coordinate technical support to members such as the World Bank, the Organisation for Economic Co-operation and Development, World Trade Organization, United Nations agencies, the European Commission, and regional developments banks. The IMF will also partner with researchers, academic institutions, civil society, and climate experts, among others, to shape policies and share expertise.

As part of the institution's budget augmentation, the IMF will augment its own resources to respond to climate change. In addition to internal resources, the IMF will also continue to seek support from external partners. Thank you to our current partners who support this integral work:

CHILE

The IMF's Fiscal Affairs Department (FAD) delivered a CD mission in 2022 to support authorities in evaluating options to improve the existing carbon tax in Chile. The mission built capacity to use the Climate Policy Assessment Tool (CPAT) to evaluate different scenarios to improve carbon pricing and bring the country in line with its climate targets. This included a hands-on workshop on climate mitigation policy using CPAT for participants from several ministries. It discussed carbon pricing principles and international experience. The outputs from the two missions, including a technical assistance report published, were used to prepare a tax reform package submitted to Chile's Congress in the first semester of 2023.

JAMAICA

A C-PIMA was conducted in Jamaica in December 2022 and March 2023 to identify weaknesses of the Public Investment Management (PIM) system. Climate considerations are critical for Jamaica's success in its adaptation and mitigation efforts. Recommendations focused on the high-priority areas of climate–aware project appraisal and selection and disaster risk management. CD informed priority reform measures such as disaster risk financing policy, climate considerations in the Public-Private-Partnerships framework, project appraisal methodologies and selection criteria, and analysis of climate-related fiscal risks. A detailed medium-term plan was developed in consultation with the authorities to implement priority actions and follow-up.

BANGLADESH

Bangladesh is highly vulnerable to climate change and natural disasters, with potential consequences for macroeconomic and financial stability. The IMF's Monetary and Capital Markets Department has planned a series of TA missions to help build the authorities' capacity to assess climate risks and how to meet the new RSF conditions on climate risk stress testing. The first mission, conducted in early 2023, was the first ever IMF TA on climate risk analysis with the focus on designing a framework to assess the impact of physical climate risk from river and coastal floods on the banking sector. Follow up TA engagements are planned to support implementation of proposed recommendations.

KENYA

FAD delivered a full climate assessment to Kenya, including a comprehensive climate fiscal diagnostic and a C-PIMA in 2023. It provided a comprehensive and assessment and climate-focused recommendations supporting Kenya's climate efforts. The authorities can build on recommendations for their RSF program. The C-PIMA developed an action plan related to project appraisal and selection, climate-related impacts in project evaluations, mechanisms for tracking and consolidating climate-related expenditures and risk management analysis. The climate diagnostic provided recommendations to strengthen the long-term climate resilience of the Kenyan economy.

INTERNATIONAL MONETARY FUND
IMF.org/CapDev

🐦 @IMFcapdev

f @IMFcapacitydevelopment

in linkedin.com/showcase/IMFcapacitydevelopment

September 2023