

July 21, 2021

The Chair's Summing Up
IMF Strategy to Help Members Address Climate Change Related Policy
Challenges—Priorities, Modes of Delivery, and Budget Implications
Executive Board Meeting 21/73
July 16, 2021

Executive Directors welcomed the opportunity to discuss a strategy to help Fund members address climate change related policy challenges. They concurred that climate change is a global existential threat that poses critical macroeconomic and financial policy challenges for the whole Fund membership in the coming years and decades. Against this backdrop, Directors broadly agreed that the Fund has an important role to play, within its mandate, in supporting members' efforts to address climate change related challenges through its surveillance, when macro-critical, and through its capacity development (CD) activities.

Directors supported a more comprehensive coverage of climate change related policy challenges in Article IV consultations, where macro-critical. In line with the conclusions from the Comprehensive Surveillance Review, they generally agreed that coverage of climate change mitigation in Article IV consultations would be strongly encouraged for the largest emitters of greenhouse gases. Some Directors stressed that this means that coverage of these policies would be voluntary. Directors supported the proposal to regularly cover adaptation and resilience building policies for the most vulnerable countries to climate change, including options to attract climate financing. In addition, they generally saw a need to cover the management of transition risks, including for fossil fuel exporters, of adjusting to a low-carbon economy, while taking into consideration each country's own circumstances.

Directors agreed that Financial Sector Assessment Programs should have a climate component where climate change may pose financial stability risks. This would help assess any potential pressure points for the financial system from physical climate shocks and from the transition to a low-carbon economy. A few Directors emphasized that this climate component should be aligned with the standards being developed by relevant international standard-setting bodies to ensure a consistent policy advice.

Directors supported expanding climate-related CD efforts, given rising demand by the membership. They also generally supported complementing Fund CD resources with donor-funded activities. A number of Directors also noted that the Fund could consider using program conditionality to support borrowing countries to increase their resilience to climate change shocks and ensure macroeconomic sustainability, provided the conditionality is in line with the Fund's lending mandate and policies. A few Directors cautioned, however, against using climate-related conditionality.

Directors agreed that policy papers and multilateral surveillance reports should remain critical outlets for disseminating the Fund's analytical and policy work on climate change, especially for topics with a multilateral component that require policy coordination, such as mitigation policies or climate financing. Directors underscored that reliable climate data are a critical foundation for macro-climate analysis and encouraged further work in this area. They generally stressed the importance of developing models and standardized toolkits to support the Fund's work in both multilateral and bilateral surveillance, while being mindful of potential limitations in models and toolkits, including due to specific country circumstances.

Directors stressed the importance of partnering with other institutions, including the World Bank Group, on climate-related work. They called for a more systematic approach to collaboration to leverage the expertise of other institutions, while minimizing overlap and maximizing value for the membership.

Directors took note of the proposal for gradually adding 95 Full-Time Equivalents to implementing the proposed climate strategy. They looked forward to assessing this, together with other funding requests, during the discussion of the Fund's overall budget.

Directors generally agreed that some internal re-organization that facilitates an efficient delivery of the climate strategy would be needed, in particular by establishing climate hubs in functional departments and reinforcing area departments as necessary. A few Directors stressed that greening the Fund's own operations and reducing its carbon footprint will be key for the institution's credibility.