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**Statement by Mr. Mozhin, Mr. Palei, and Mr. Shestakov on IMF Strategy to Help Members Address Climate Change Related Policy Challenges—Priorities, Modes of Delivery, and Budget Implications
(Preliminary)
Executive Board Meeting
July 16, 2021**

We thank staff for the informative report and the helpful Q&A session, as well as for the outreach to our office. **We support the proposed strategy for the IMF’s engagement on macro-critical climate-related policy issues.**

Climate change poses many challenges to the IMF members and threatens both domestic and global macroeconomic and financial stability. Absent decisive mitigating action the global temperature is expected to raise to the levels, which would risk triggering the “tipping points”, after which new climatic state would be locked and likely become irreversible. While the global economic and social impact from the adverse scenario for the future appears to be devastating, for many countries climate change has already caused significant losses due to increased frequency and scale of extreme weather events. Near-term implications of the climate change are unevenly spread across the Fund membership, with LICs and small states often being hit the hardest. Ultimately the climate change represents a global challenge and requires a multilateral solution.

The Fund is well positioned to leverage its expertise and support its members in their efforts to mitigate the adverse impact of climate change. According to the report, there seems to be a high demand for the Fund’s expertise from its members in the areas of climate change adaptation, resilience building, and transition management to a low-carbon economy. A substantial share of member countries, including LICs and small states, indicated their interest in conducting CMAP diagnostic. In light of the above, we see the planned strategy as a demand-driven response by the Fund to deliver value to its members.

We believe that the Fund’s work on its analytical toolkit for modeling climate impacts and on data collection holds promise. Many of the Fund’s well-developed modelling frameworks might be updated to include blocks for climate change or emissions projections. We hope to see more work in the areas of climate change impacts on real economic activity,

the role of structural policies in spurring innovation in the private sector and bolstering sustainable solutions through the ESG financing instruments. The tools then can be used actively in bilateral and multilateral surveillance, program work, and capacity development.

Collaboration on climate work with the development partners is the necessary ingredient in the recipe for success. but the voice of the Fund should be distinct and strong. Many international organizations, including the World Bank, other MDBs, UN bodies, and the International Energy Agency, possess valuable expertise in climate change mitigation and risk assessment. However, we would like to underscore the need to develop “in-house” expertise for the IMF, since many of these issues are macro-critical and are not fully covered by the mandates of other organizations, and these organizations might not fully recognize implications of the climate risks for fiscal and financial sector challenges.

We support the request for additional resources that would be necessary to ensure the effectiveness of the proposed strategy. The request for 95 additional FTEs (and 20 externally funded FTEs for the necessary CD) in a steady state seems to be a justified request, given the scale of the expected workload. We recognize that there may be different paths to the steady state and synergies with existing expertise might be productively exploited. We agree that under-resourced effort in this area might cause an uneven quality of delivery, which could pose reputational risks for the Fund. We look forward to a more comprehensive discussion on the budget augmentation.