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March 21, 2019

**The Chairman's Summing Up
Fiscal Policies for Implementing Paris Climate Strategies—From Principle to Practice
Executive Board Meeting 19/18
March 18, 2019**

Executive Directors welcomed the opportunity to consider the fiscal policy implications of implementing the Paris Agreement and how the Fund might help its members meet their mitigation commitments and support those vulnerable to climate risks. They agreed that the Fund has an important role to play in advising its members on fiscal policies to address climate change and its impacts.

Directors welcomed the tool presented in the paper for analyzing policy options for implementing mitigation commitments. They saw it as helpful in assessing, on a country-by-country basis, the effectiveness of alternative policies in reducing emissions, as well as their fiscal and economic impacts.

Directors broadly recognized the potential of carbon pricing in effectively reducing emissions and mobilizing revenue resources. Directors noted, however, that other fiscal instruments or regulatory measures could also have an important, and sometimes preferable, role to play, depending on country circumstances and preferences. They agreed that countries' policy choices would need to take into account various aspects, including efficiency, distributional, and political economy considerations. In this context, some Directors observed that member countries should have discretion to decide and implement policy options as they see appropriate. Directors considered that further analysis of the full range of mitigation instruments would be important to better inform the debate. They also noted that research and development (R&D) and investment in new energy and efficient technologies could play an important role in mitigation efforts, while measures would be needed to relieve vulnerable groups. Regarding carbon price floors, many Directors thought that such arrangements among willing countries could reinforce the Paris process, but some other Directors did not see merit or feasibility in this approach.

Directors emphasized the importance of a holistic approach to promoting resilience in countries vulnerable to natural disasters and climate risks in collaboration with the World Bank and other relevant international organizations. They underscored the need to incorporate ex-ante resilience-building in macro-fiscal and financial frameworks, including through fiscal buffers and climate finance. Directors also encouraged the Fund to work with donors and multilateral development banks in exploring affordable financing options for

adaptation investments, especially for low-income developing countries. Continued Fund advice on cost-effective adaptation policies and capacity building support in these countries, particularly small states, would be important to help address policy gaps and unlock financing from all possible sources.

Directors recognized that the national mitigation commitments and resilience challenges could have macro-critical implications, and that the Fund is well-positioned to support countries in analyzing the fiscal and financial impacts of their policy choices. In this context, many Directors supported the inclusion of the economic implications of countries' mitigation policies in Fund surveillance. A number of other Directors, however, stressed that the Fund should avoid standardizing such analysis and discussions, and allow individual member countries to decide on the mode of engagement with the Fund in light of their specific circumstances.

Many Directors agreed that staff could periodically update the analysis of the impacts of alternative mitigation policies using the tool staff had developed for cross-country analysis. A number of Directors, however, cautioned against regular formal update exercises that could go beyond the Fund's mandate. Directors emphasized the importance of continued close collaboration with other international organizations active in this area, based on each organization's mandate and comparative advantage, to ensure that the Fund's work remains complementary to that of others. They also stressed the importance of ensuring close alignment of the different aspects of work undertaken by the Fund in this regard. A number of Directors saw merit in developing a staff guidance note on how to approach climate change in Fund surveillance, focusing in particular on adaptation policies, risk management, and mitigation frameworks.