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CCAMTAC Regional Webinar

“Green Public Financial Management”

Thursday, February 10, 2022

Introduction and Moderation:

Norbert Funke, Director, CCAMTAC

Presenters:

Tjeerd Tim, Technical Assistance Officer, Fiscal Affairs Department, IMF

Martin Baur, Head, Economic Analysis and Policy Advice Division, Swiss Federal Finance Administration

Pierre-Alain Bruchez, Senior Economist, Economic Analysis and Policy Advice Division, Swiss Federal Finance Administration

Starting with a broad overview of the topic, Tjeerd Tim explained that Green PFM concerns integrating environment and climate-friendly perspectives into PFM practices, systems, and frameworks, especially the budget process. Given the cross-cutting nature of climate change and broader environmental concerns, “green PFM” can be a key catalyst for the implementation of an integrated government strategy to combat climate change. The objective of green PFM is to promote fiscal policies that are responsive to climate and environmental concerns. It does not require a novel approach to PFM, but rather an adaptation of existing PFM processes and tools. All stages of the budget cycle – strategic planning, budget preparation, execution, and control - should incorporate Green PFM practices. As a natural extension of the topic, Tjeerd Tim also briefly introduced the IMF’s Climate Public Investment Management Assessment (C-PIMA). The C-PIMA supports countries in strengthening their public investment management systems to deliver their climate objectives. The C-PIMA is built around five pillars of public investment management that are key to climate-aware infrastructure: planning coordination across government, project appraisal and selection, budgeting and portfolio and risk management. In summarizing some guiding principles for implementing Green PFM, Tjeerd Tim suggested that emerging experience includes that green PFM reforms should be (i) integrated with existing reform agendas; (ii) driven by the Ministry of Finance; (iii) appropriately sequenced; and (iv) and clearly communicated to all stakeholders.

In the second half of the webinar, Martin Baur and Pierre-Alain Bruchez focused on a more practical side of the topic, elaborating on Switzerland’s qualitative approach to climate change analysis and implications for long-term fiscal sustainability. Martin Baur started by going through



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Switzerland's key demographic and macroeconomic indicators and pointed to a relatively strong fiscal position due, among other things, to the introduction of a debt brake in 2003. According to the University of Notre Dame's Adaptation Index, Switzerland is characterized as having low vulnerability and strong readiness for climate change and other global challenges.

Since 2016 the Swiss authorities have included a climate analysis in their Long-term Fiscal Sustainability Report. To do so, it was crucial to identify transmission channels of climate change on the economy and fiscal policy and deal with uncertainties. Precisely quantifying all fiscal impacts is not always feasible due to data availability, however, Pierre-Alain Bruchez highlighted that a qualitative analysis can be an important initial step. Furthermore, some potentially important impacts from climate change could be positive or negative. As data becomes available over time, a quantification may shed more light on the country-specific impact. At present only a handful of countries have prepared a quantitative assessment of climate change on fiscal sustainability. The Swiss example suggests that starting with a qualitative approach is very useful in helping to anticipate changes in tax revenue and public expenditures and taking action that can potentially reduce costs later.

During the general discussion participants of the webinar asked questions related to (i) the social impact of climate change (i.e., migration); (ii) adoption of carbon tax and emission trading schemes; (iii) availability of developing countries' published C-PIMAs; (iv) introduction of green agenda in developing countries with weak PFM, and v) costs arising from the introduction of Green PFM.

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