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CCAMTAC Regional Webinar

“IMF’s Engagement on Climate Issues”

Tuesday, November 16, 2021

Introduction and Moderator:

Norbert Funke, Director, CCAMTAC

Presenters:

Kristina Kostial, Deputy Director, Strategy, Policy and Review Department, IMF

Shota Gunia, Head of Fiscal Risks Management Department, Ministry of Finance of Georgia

Ketevan Chaphidze, Deputy Head of Economic Analysis and Reforms Department, Ministry of Economy and Sustainable Development of Georgia

Kristina Kostial started her presentation by stating that climate change is an urgent macroeconomic policy challenge that falls under the IMF’s mandate. According to the existing research on the impact of climate change, without any policy adjustments emissions will continue to rise, and global temperatures could increase by an additional 2–5°C by the end of this century, imposing growing physical and economic damage, and increasing the risk of catastrophic outcomes. Climate change will result in long-term damage not only to GDP but also to mortality, health, etc. In addition, because of higher temperatures, poorer regions can be more severely affected, which in turn could cause unprecedented migration.

The IMF has been actively engaged on climate issues, given that climate change can impact trade and exchange rates, financial stability, growth and competitiveness, fiscal and debt sustainability, and social stability. Kristina stressed that fiscal, financial, and structural policies are key levers to address climate change and that they fall under the IMF’s mandate and are aligned with Fund’s expertise. In the “[2021 Comprehensive Surveillance Review](#)”, the Fund clearly outlined its mandate to cover issues related to climate adaptation, resilience building, managing transition risks, and mitigation in surveillance. To help countries address climate challenges, the IMF will offer greater coverage of climate issues in Article IV missions and Financial Sector Assessment Programs (FSAP), and capacity development activities (including technical assistance). The IMF is also adding new capacity development offerings associated with climate change. Discussions are ongoing on channeling of the SDR allocation to new facility, the Resilience and Sustainability Trust, which will help members transform their economies. Please visit IMF’s [Climate Change webpage](#) for more information.



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Shota Gunia continued the topic by reflecting Georgia's experience in adding climate change and natural disasters to the fiscal risks because they could cause deviations of fiscal aggregates from the levels planned in the budget. As for the fiscal challenges associated with adaptation, Shota pointed to the need to quantify remedial adaptation measures and review fiscal uncertainties of specific adaptation measures, as well as macroeconomic and fiscal consequences of adaptation measures. Similarly, climate change mitigation, from Georgia's perspective, requires actions in energy and transmission, transportation, and construction. He underlined that the identification and quantification of risks is only the first step in addressing climate change. At the same time, limited data availability is a constraint in analyzing climate change-related fiscal risks.

Ketevan Chaphidze followed by presenting Georgia's policy analysis for climate-resilient economic development, a project supported by GIZ. She elaborated on the key features of the Dynamic Input-Output model that is being developed. Integrating climate change into the model requires obtaining data, identifying channels of impact, variables for climate change scenario, and transmission channels, and interpreting the results. In the case of Georgia, agriculture, infrastructure, and tourism are considered priority sectors for adaptation.

During the general discussion the questions to the presenters covered (i) important outcomes of COP26; (ii) challenges related to the implementation of climate change initiatives; (iii) assessment of green investment projects, and (iv) advice for countries, who would like to consider climate change in policymaking.

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