Fiscal and Macroeconomic Policy Responses to Climate Change for Armenia

JUNE 27, 2022

IMF Resident Representative in Armenia
Mehdi Raissi
Climate change is macro critical

Historic and projected average annual temperature in Armenia under RCP2.6 (blue) and RCP8.5 (red)

Income Losses Under different RCP Scenarios: The Role of Climate Variability, Adaptation, and Mitigation (Percent deviation from the baseline)


Note: Representative Concentration Pathways (RCP) are scenarios of greenhouse gas concentrations, constructed by the IPCC. RCP 8.5 is an unmitigated scenario in which emissions continue to rise throughout the 21st century. RCP 2.6 is close to the Paris Agreement.

Armenia Continues to Upgrade its Climate-related Macro-Fiscal Policies

Climate change

Growth

Adaptation
• Measures to promote energy efficiency
• Improved water and waste management
• Investments to cope with disaster risks

Mitigation
• Carbon pricing
• Sectoral fees/bates/regulation
• Support from broader tax system (e.g., subsides, waste levies, extractive taxation)

Transition
• Green investment
• Coherent regulation (including financial)
• Productive/equitable use of pricing revenue
• Financing
The IMF can help

- Climate Macroeconomic Assessment Program (CMAP)
- Carbon Pricing Assessment Tool (CPAT)
- Technical assistance to quantify fiscal risks from climate change
- Technical assistance to analyze environmental taxation within broader domestic revenue mobilization objectives
- Climate-PIMA
- Financing through the Resilience and Sustainability Trust (RST)
- Supporting other development partners
Thank you
Carbon pricing has a central role in mitigation policy.

Energy is the largest source of emissions

Sources: Carbon Pricing Assessment Tool (CPAT).

Emission reductions and pledges

Revenues from carbon pricing
CMAP

The Climate Macroeconomic Assessment Program
C-PIMA is based on the PIMA framework

Plus three cross-cutting institutions: Legal framework, Information systems and Staff capacity
# The five institutions of the Climate-PIMA framework

<table>
<thead>
<tr>
<th>Institution</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>C1. Planning</strong></td>
<td>Aligning national and sectoral plans to climate objectives is key. The planning phase is particularly relevant for incorporating climate into spatial planning and construction requirements.</td>
</tr>
<tr>
<td><strong>C2. Coordination</strong></td>
<td>Public investment can involve various layers of government, state-owned enterprises, and PPPs. Integrating green considerations into PIM means coordinating across all parts of the public sector, and on joint-ventures with the private sector.</td>
</tr>
<tr>
<td><strong>C3. Appraisal and selection</strong></td>
<td>This crucial phase determines which projects get done. It is essential that analysis of mitigation and adaptation impacts of investments are included in this phase.</td>
</tr>
<tr>
<td><strong>C4. Budget and portfolio management</strong></td>
<td>Green investment and maintenance allocations should be budgeted and reported through the annual budget, the medium-term expenditure framework and the government's financial statements. Asset management and ex-post audit and review should take into account climate objectives.</td>
</tr>
<tr>
<td><strong>C5. Fiscal Risk Management</strong></td>
<td>Natural disaster management strategies and fiscal risk analyses should incorporate climate risks. Risk mitigation strategies should also take climate considerations into account.</td>
</tr>
</tbody>
</table>