Mitigate risks by reducing exposure and vulnerability

Enhance ability to smooth the impact of the shocks

Enhance flexibility and foster structural transformation

Macroeconomic and Structural Policies to Build Resilience to Shocks

Transfer and share risks

Mitigate risks by reducing exposure and vulnerability

Early warning systems and evacuation schemes

Stronger building laws, land use planning, and zoning rules; and better regulation of the use of common resources (for example, water)

Private and sovereign insurance (for example, parametric insurance, crop insurance, catastrophe bonds)

Multilateral risk-sharing mechanisms

Adaptation Strategies to Specific Climate Change Risks

Policy buffers
To enable policy response

Well-targeted social safety nets
To effectively support those affected

Exchange rate flexibility
To cushion some of the economic cost of the shock

Labor market policies
To facilitate labor movement across production sectors and regions

Education and health policies
To strengthen human capital, facilitate lifelong learning, and develop a flexible and resilient labor force

To reduce vulnerability

Financial sector policies
To ensure access to credit, insurance, and other financial services needed by households to smooth consumption

To enable firms to invest, develop new technologies, and so forth

Infrastructure investment

Public information provision about climate-related risks

Fiscal incentives and appropriate pricing for the development and adoption of appropriate technologies (for example, resistant crops, air-conditioning, housing improvements)

Climate-smart infrastructure investment (for example, irrigation, drainage, seawalls)

Source: IMF staff compilation.