



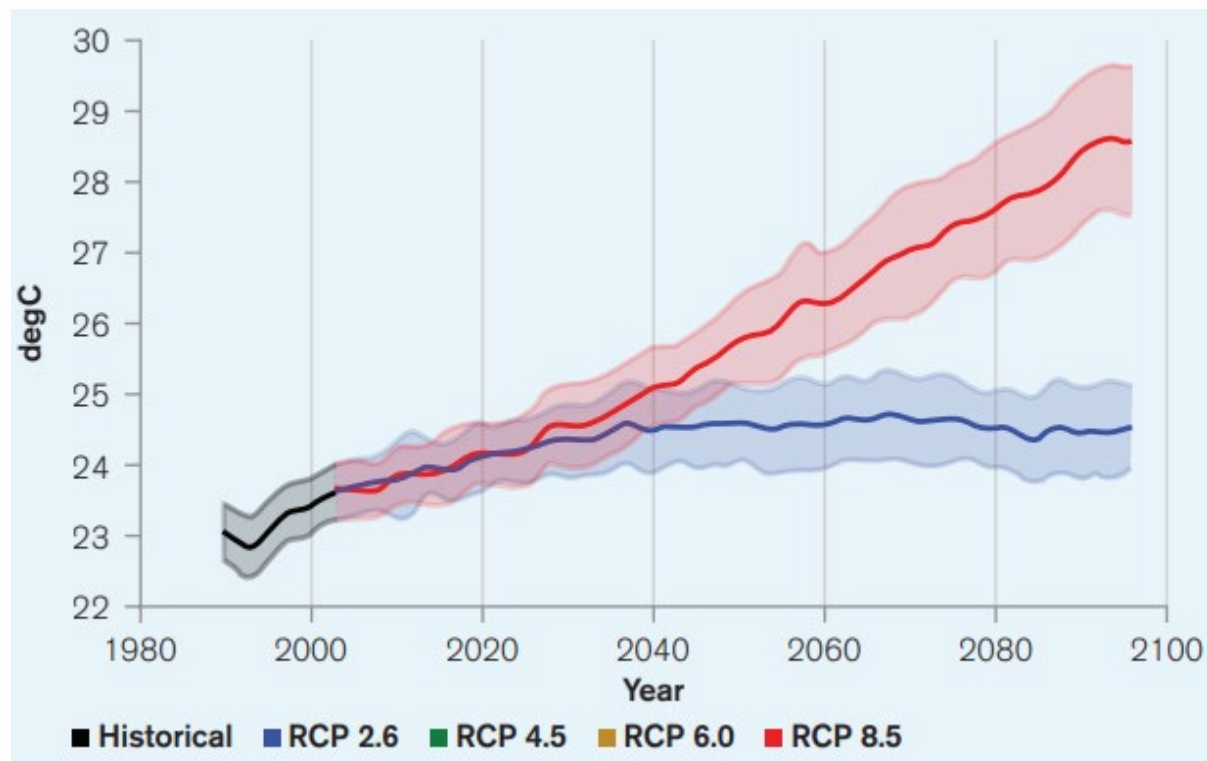
Fiscal and Macroeconomic Policy Responses to Climate Change for Armenia

JUNE 27, 2022

IMF Resident Representative in Armenia
Mehdi Raissi

Climate change is macro critical

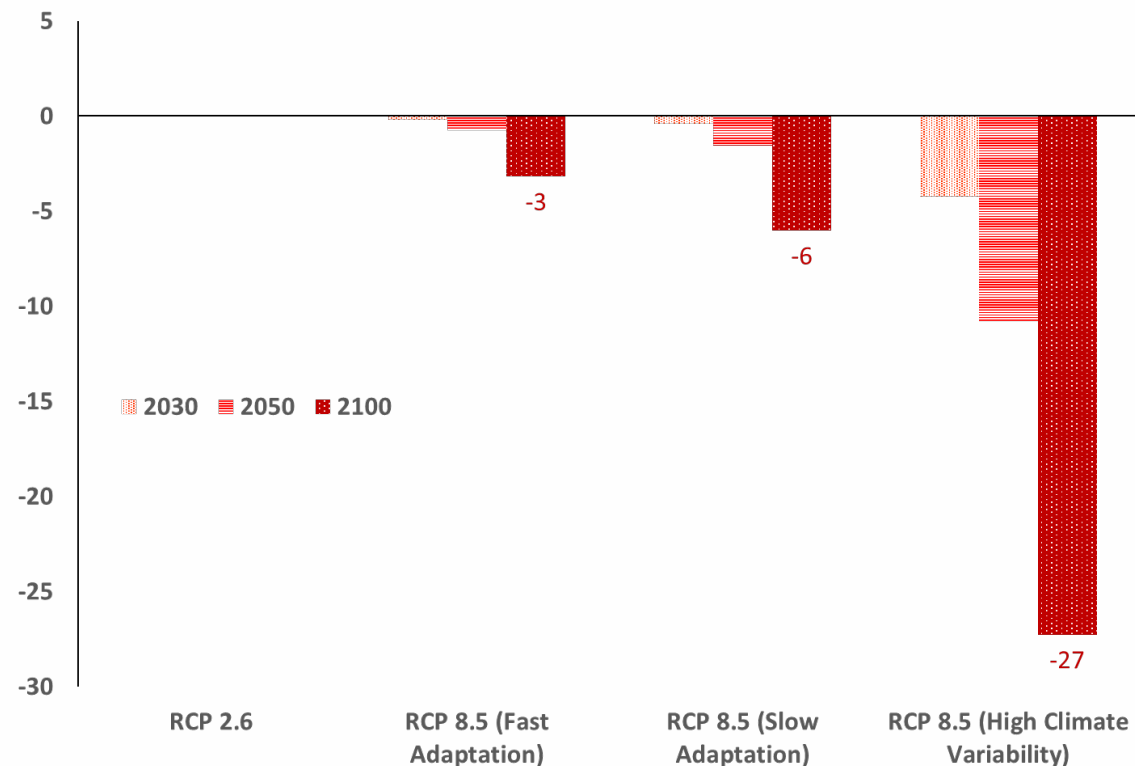
Historic and projected average annual temperature in Armenia under RCP2.6 (blue) and RCP8.5 (red)



Source: World Bank Climate Knowledge Portal.

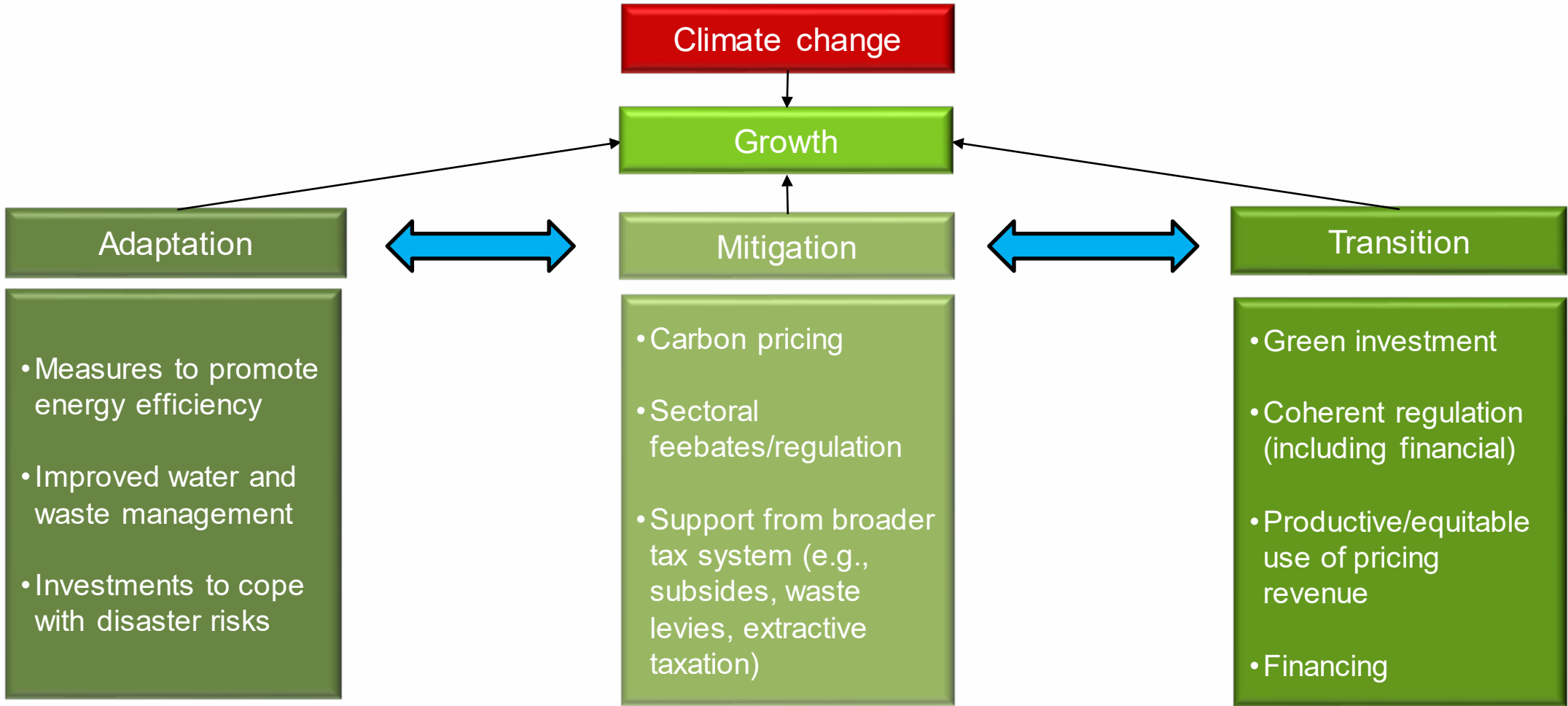
Note: Representative Concentration Pathways (RCP) are scenarios of greenhouse gas concentrations, constructed by the IPCC. RCP 8.5 is an unmitigated scenario in which emissions continue to rise throughout the 21st century. RCP 2.6 is close to the Paris Agreement.

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



Source: Kahn M.E., Mohaddes K., Ng R.N.C., Pesaran M.H., Raissi M., and J.C. Yang (2021). Long-Term Macroeconomic Effects of Climate Change: A Cross-Country Analysis, *Energy Economics*, 104, pp. 105624/1–13.

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



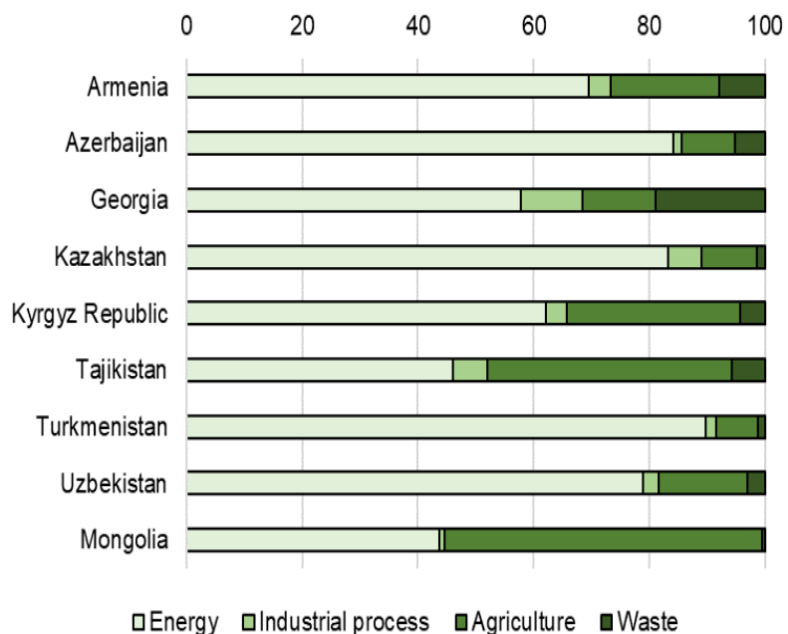
The IMF can help

- 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

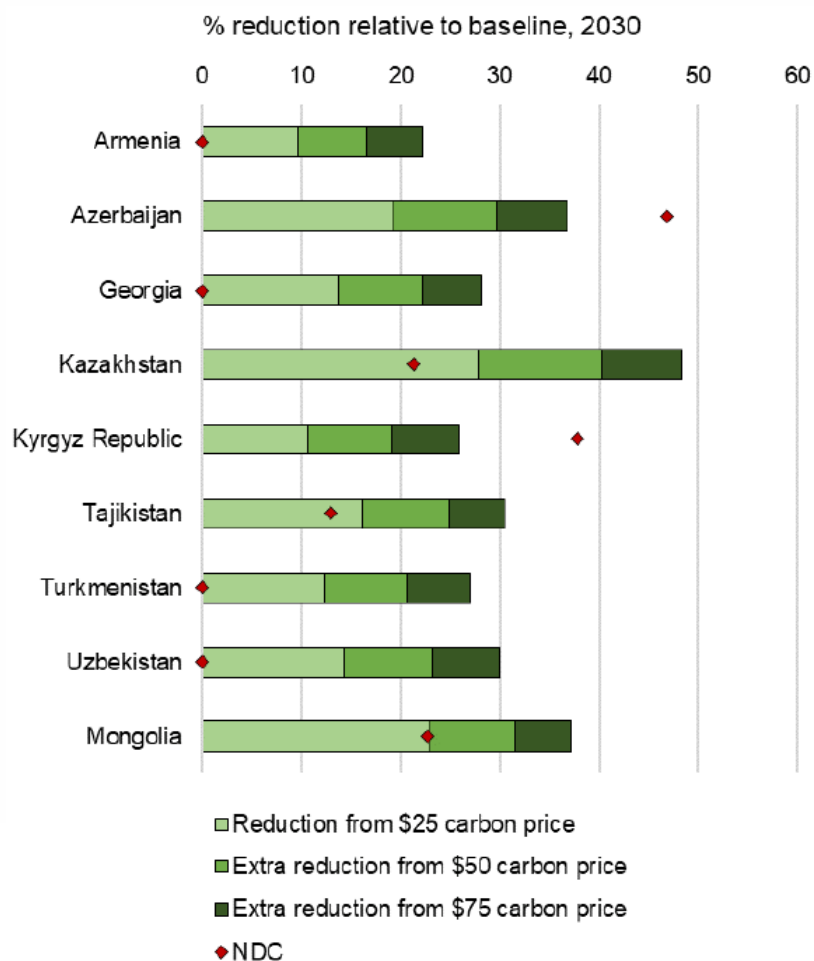
Carbon pricing has a central role in mitigation policy.

Energy is the largest source of emissions

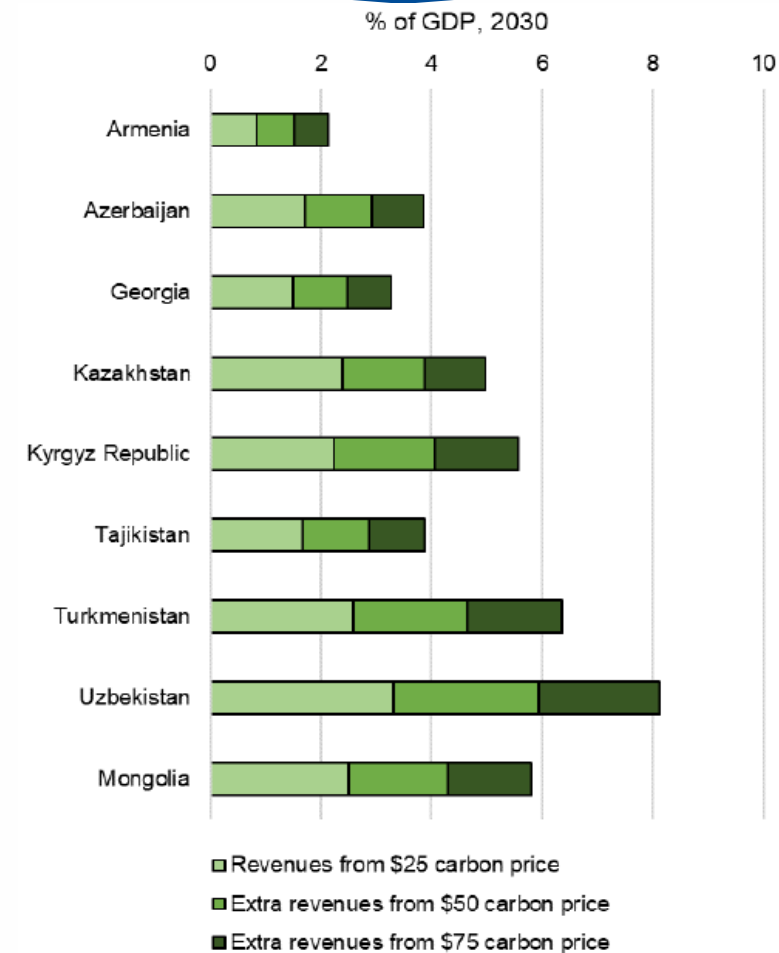


Sources: Carbon Pricing Assessment Tool (CPAT).

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

C1. Planning

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.

C2. Coordination

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.

C3. Appraisal and selection

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.

C4. Budget and portfolio management

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.

C5. Fiscal Risk Management

Natural disaster management strategies and fiscal risk analyses should incorporate climate risks. Risk mitigation strategies should also take climate considerations into account.