Greening Public Financial Management (PFM)

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Why Does Green PFM Matter?

Support governments’ integrated strategies to combat climate change
- Put in place a carbon tax
- Reform energy subsidies
- Invest in resilient infrastructure

Ensure that green policies are effective and funded within fiscal constraints
- Set analytical requirements for the green impact of new policies
- Ensure accountability for the climate impact of fiscal policy choices
- Integrate climate change considerations in infrastructure project appraisal and selection

Provide credibility to GREEN BONDS
What the IMF’s Green PFM framework?

- Amending existing PFM laws to include climate elements
- Enacting specific climate action laws

- Climate objectives / targets
- Climate-responsive macro-fiscal framework
- LT sustainability analysis

- Climate impact assessments / CBA
- Green / climate spending reviews
- Climate budget circular
- Green-responsive program budget

- Tagging climate expenditure
- Green trackers
- Green performance monitoring

- Ex-post climate / green audits
- Climate watchdogs
- Parliamentary oversight
How to integrate Climate Into Public Investment Management?

FAD’s Public Investment Management Assessment (PIMA)

- Planning sustainable investment across the public sector
- Allocating investment to the right sectors and projects
  - Implementing projects on time and on budget

PIMA Climate Change Module

- C1. Climate-aware Planning
- C2. Coordination across Public Sector
- C3. Project Appraisal and Selection
- C4. Budgeting and Portfolio Management
- C5. Risk Management
Are there already best practices to learn from?

- Virtually no countries have comprehensive “Green PFM” system but…
- …several countries have rolled-out a few or several components of such a system.
- **Good practices abound in the Asia-Pacific region** with several countries leading the way on for example on:
  - Legal foundations for Green PFM (e.g., New Zealand)
  - Climate targets in National Development Plan (e.g., Sri Lanka)
  - Transparency and reporting (e.g., Indonesia)
  - Tagging of green expenditures (e.g., Bangladesh)
  - External oversight (e.g., the Philippines)
How is the IMF integrating Green PFM Into Country Work?

Assistance to country teams in the context of surveillance missions
✓ To provide ideas and examples of good practices that can feed into the dialogue with the country – e.g., at the request of EUR, contribution to the Austria Article IV mission to discuss green PFM topics

Country-specific technical assistance
✓ Green PFM – To assess the readiness of PFM systems for green PFM; produce diagnostic; and propose country-specific action plan.
✓ Climate change module PIMA

Regional seminars and trainings
✓ Virtual seminar on “Addressing Climate Change in Asia: What Role for Ministries of Finance?” on October 25 – 28, 2021, organized jointly by the IMF’s Fiscal Affairs Department (FAD), Capacity Development Office in Thailand (CDOT) and South Asia Regional Training and Technical Assistance Center (SARTTAC).
Key IMF references

[Images of IMF publications]

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