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International Network for Sustainable Financial Policy Insights, Research and Exchange (INSPIRE)

Call for Research & Policy Project Proposals

Macroeconomic stability and the implications of nature-loss, deforestation and land-use change

24 October 2023

The degradation of nature, and the policy response aimed to preserve and restore it, has direct implications for economies and financial systems. Based on the findings of a joint NGFS-INSPIRE study group, and the acknowledgement by the NGFS that nature-related risks could have significant macroeconomic implications, the NGFS Nature Task Force has since published a Conceptual Framework. This outlines in greater detail how these broader environmental risks, including those related to land-use change and deforestation, are relevant for financial stability.

To further support this work and advance research and policy analysis in the regional context of Southeast Asia, INSPIRE is partnering with Bank Negara Malaysia (BNM) and Bangko Sentral Ng Pilipinas (BSP) with this Call for Proposals to advance the understanding of the interlinkages between environmental degradation and climate change, and the implications for the macroeconomy and financial policy. There are significant knowledge and research gaps, and we recognise that more work is needed that (i) investigates the latest global developments in environmental degradation, land-use change and climate change, and their impacts on, for example, prices, growth, labour productivity, employment, interest rates and exchange rates, (ii) enhances the understanding of the interlinkages of environmental degradation, land-use change and climate change on the development and implementation of socio-economic policy, and (iii) contributes to the academic literature that provides central banks and supervisors with the evidence base for considering environmental and climate issues in undertaking macroeconomic and development policy.

INSPIRE invites submissions that strengthen the evidence base around the conceptual framework and assessment methodologies of the macroeconomic implications of nature-loss, land-use change and deforestation. Importantly, we encourage submissions that aim to be policy-relevant and establish applied technical and



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implementation-ready policy guidance for monetary, prudential and financial market authorities. We invite submissions that propose to produce gold standard research, policy analysis and recommendations, and projects involving convenings and workshops. A focus on Southeast Asia is strongly encouraged.

Key topics that proposals can address include, but are not limited to, analysing:

The economics of environmental degradation, including:

- Interactions between economic activities, climate change and environmental degradation.
- The impacts of economic activities related to land-use change and deforestation (e.g., mining, agriculture and forestry) on the environment, including habitat and biodiversity loss, soil degradation, disruptions to water levels and quality.
- The impact of biophysical interactions such as changes to or collapse of ecosystems on the economy, including through the loss of livelihoods, supply chain disruptions, changes in commodity prices, etc.
- The integration of ecosystems, ecosystem services or natural capital into accounting and statistical systems, and macroeconomic and financial models.
- Socio-economic impacts associated with the overexploitation of natural resources, pollution, and hazard events, including heterogenous and distributive impacts and financial losses across society.

The monetary and financial market policy implications, including:

- The impact of environmental degradation and land-use change on price stability and implications for monetary policy frameworks, instruments, effectiveness, and governance.
- The impact of environmental degradation and land-use change on financial stability and implications for prudential policy frameworks and instruments.
- Governments' responses to environmental degradation, disasters and land-use change and implications for fiscal policy.
- The impact of environmental degradation and land-use change on cross-border flows and the implications for exchange rates, trade, commodity prices, as well as for economic policy (e.g., limits to exports of certain commodities).



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- The social impacts of climate change, environmental degradation and pollution (e.g., public health implications, displacement or livelihood disruptions) and the implications on social protection policy and economic development.
- Implications of environmental degradation, land-use change and climate change on financial inclusion, and the role of financial inclusion in building resilience.

Details of submission

In this targeted call, INSPIRE aims to support several projects with an individual budget of approximately \$15,000 to \$35,000 USD.

We encourage interdisciplinary teams and the use of quantitative or qualitative approaches. To further build collaboration, joint projects between policy institutions and academia are strongly encouraged. While submissions from a wide range of geographical backgrounds are invited, projects that are focused on Southeast Asia or participation from the region are particularly encouraged.

The proposal submission form is provided in a separate document on the call webpage. Research proposals can be saved and submitted via INSPIRE's website. The submission period will span 10 weeks and ends on **2 January 2024**.

For FAQs, please refer to the link provided above.

This Call for Proposal is supported with funding by the Gordon and Betty Moore Foundation through The Finance Hub, which was created to advance sustainable finance.

Should you have any additional questions please contact INSPIRE via gri.inspire@lse.ac.uk.



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