4 LENDING

NON-RSF LENDING

Climate-related issues appeared only sporadically in IMF lending until 2021, lagging their treatment in surveillance and CD work. For decades, the Fund's role in climate-related lending consisted of providing limited emergency financing to address the BOP effects of natural disasters. In upper credit tranche (UCT) arrangements, references to climate focused on the macroeconomic—mostly fiscal—impact of weather events, energy sector policies, climate-related activities by other institutions, and the authorities' green agendas. Coverage was sparse and mostly shallow, with climate-related discussions mostly focused on reporting authorities' efforts. Climate-related conditionality in these programs was practically nonexistent, except for measures on fuel taxes and subsidies when these had dual (climate and fiscal) objectives. Although analytical work and policy research increasingly underscored the severity of climate risks, especially after 2015, incorporating such work into operational lending guidance proved challenging given the Fund's traditional focus on short- and medium-term BOP support versus the long-term nature of climate adaptation and mitigation needs.

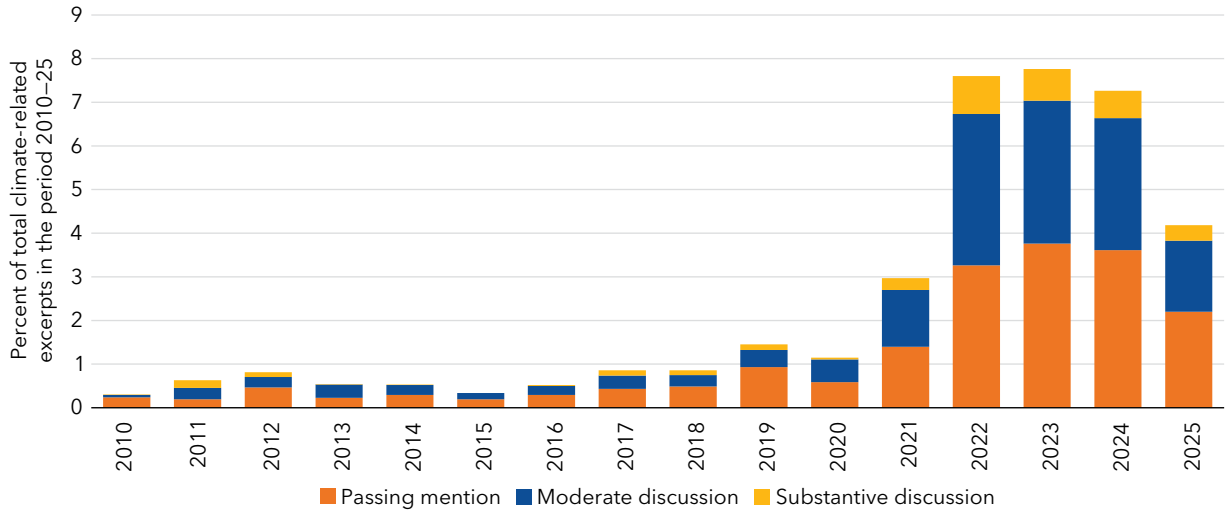
While the Strategy did not provide guidance on the integration of climate-related considerations in lending, it constituted a significant conceptual advancement. It acknowledged that Fund-supported programs could help build climate-resilient economies and financing could be provided when climate was critical to solving BOP needs. However, there was insufficient discussion and direction regarding the integration of climate-related considerations in practice. This lack of clarity reflected broader differences on the extent to which the Fund should pursue climate-related objectives through its lending instruments, tensions that persisted after the adoption of the strategy.[1] While climate-related issues have become more present in program discussions since the approval of the Strategy, explicit climate-related program objectives or conditionality have remained relatively limited, underscoring the challenge in reconciling the short-term horizon of Fund lending with the long-term nature of climate adaptation and mitigation policies (Figure 7).[2]

This chapter draws on the evaluation background paper by Arevalo and Lane (2026).

[1] In the discussion of the Strategy, it was argued that conditionality could be used to enhance countries' resilience to climate-related shocks and to generate a catalytic effect. At the same time, it was considered premature to integrate climate-related considerations into lending, including, for example, climate mitigation conditionality, because it risked unfairly shifting the burden of global mitigation onto smaller, borrowing countries with no leverage over major emitters.

[2] IEO's text analysis indicates that the number of UCT arrangements including explicit climate-related objectives rose from 3 out of 222 between 2006 and 2020, to 15 out of 85 between 2021 and 2025.

FIGURE 7. CLIMATE-RELATED DISCUSSIONS IN UPPER CREDIT TRANCHE PROGRAMS



Sources: IMF program documents; IEO staff calculations.

Note: Upper Credit Tranche (UCT) programs with an RSF arrangement are excluded from the analysis once the request is made. See the Online Statistical and Methodological Appendix for further details on this exercise.

Specific guidance has been developed for the RSF, but there is no equivalent guidance for climate-specific reforms in non-RSF arrangements. There is still a gap in how to incorporate climate-related considerations in UCT programs when deemed critical for program success, which may result in uncertainty and uneven integration. Approximately 70 percent of staff surveyed noted that they had received little to no guidance on integrating climate-related considerations into program design. The 2024 Operational Guidance Note (OGN) on Program Design and Conditionality did not address this gap. The ongoing Review of Program Design and Conditionality (ROC) provides an opportunity to articulate clear principles and practical guidance.

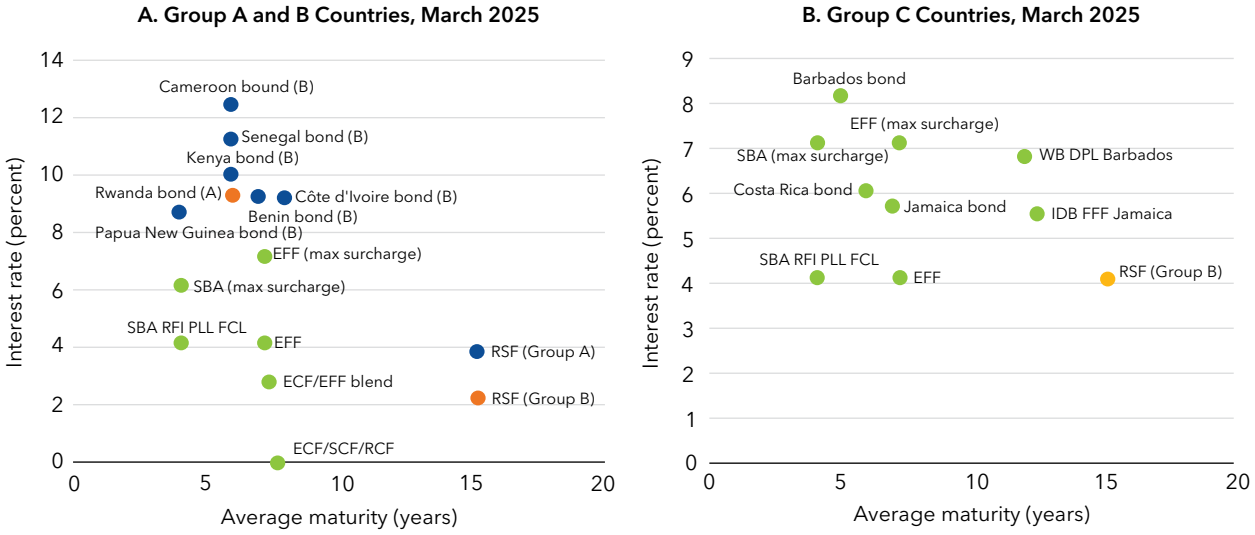
THE RSF

Demand for and Use of the RSF

The RSF has been successful in triggering demand from potential users driven by countries' climate resilience needs and the facility's favorable financing terms. The RSF is intended to support members to address risks to prospective BOP stability from macrocritical structural longer-term challenges, whereas traditional General Resources Account and PRGT arrangements provide financing to solve actual, prospective, or potential BOP needs in the short and medium term. Twenty-six arrangements were approved between November 2022 and end-June 2025 (see Annex 5 for the features of the RSF and its use). While there is no evidence of denied RSF requests for eligible and qualified countries, there was some de facto temporary rationing after the five pilots, as a priority list had to be established to sequence CD and functional departments' support. According to users and staff, countries' need to strengthen climate resilience and the financing terms of the RSF were the main triggers of demand. Many stakeholders at the country level noted that the scale, maturity, and interest rate of RSF financing compared quite favorably with that available from other IFIs, especially in combination with the concurrent UCT arrangement (Figure 8), which in some cases temporarily crowded out other financing sources.[3]

[3] There were a few cases where development partners noted that the combination of UCT and RSF financing crowded out other climate finance budget support providers, due to limits on borrowers' implementation and absorption capacity, leading to project postponement or scaling back. See Arevalo and Lane (2026) for additional details.

FIGURE 8. RELATIVE RSF FUNDING TERMS BY COUNTRY GROUPS



Sources: IMF; World Bank, IDB.
Note: Group A: PRGT-eligible (non-blenders) (orange); Group B: PRGT-eligible (blenders) (blue); Group C: all other eligible countries (yellow); others (green). Interest rate for March 27, 2025. See Annex 5 for further details. ECF = Extended Credit Facility; EFF = Extended Fund Facility; FCL = Flexible Credit Line; IDB = Inter-American Development Bank; PLL = Precautionary and Liquidity Line; SBA = Stand-By Arrangement; SCF = Standby Credit Facility.

The financing supplied through the RSF represents a small fraction of climate financing needs, emphasizing its intended catalytic role. Access under the RSF averaged 112 percent of quota (excluding countries at the SDR 1 billion cap), exceeding the initial norm of 75 percent of quota, intended as an operational anchor. Fourteen arrangements reached the maximum access (150 percent of quota or SDR 1 billion), including all 5 pilots (see Table A5.1). Total commitments through end-December 2025 were SDR 10.66 billion or 48 percent of the estimated baseline demand from 2022 to 2027. As of end-2024, the IMF's share represented approximately 3 percent of total climate financing supplied by multilateral development banks (MDBs) to low- and middle-income economies, and about 0.1 percent of annual global climate finance needs (see Annex 6). The facility was not designed to close climate finance gaps but to support gradual reform implementation and catalyze additional financing.

While it is still early to assess whether the RSF has met its catalytic expectations, authorities have been appreciative of other benefits brought by the RSF. These include the reduction of macroeconomic risk (together with the accompanying UCT programs), the facilitation of the integration of climate-related issues into public policy, priority access to CD (from the Fund and others), and the promotion of credit enhancement. Additionally, while not formally embedded within the RSF architecture, climate finance roundtables emerged as a complementary instrument to support stakeholder coordination. Led by MCM, these roundtables were often attended by Fund management and, in several instances, co-convened with institutions such as the IDB and the World Bank. The Fund's convening power has been instrumental in facilitating these roundtables, but there are differing views on which institution should lead this effort.

RSF resources are used to build buffers and to support climate-related spending, but their fungible nature has been criticized by CSOs and academics. Both authorities and staff broadly agreed that RSF resources increased policy space for fiscal spending and augmenting buffers to face climate-related shocks. Consistent with IMF practice, earmarking of fiscal resources is generally not recommended. Nevertheless, external stakeholders criticize that the short-term focus of the underlying UCT arrangement may divert RSF funding away from longer-term climate priorities, and that the absence of earmarking for climate-specific spending raises concerns about whether RSF financing

is truly additional or substitutes for other sources of financing. Some of these stakeholders also contend that, in the absence of explicit alignment of the Fund's financing framework with the Paris Agreement, RSF resources should not necessarily be classified as climate finance.[4]

Reform Measures

The primary policy objectives of RMs have been predominantly cross-cutting measures, followed by mitigation, and then adaptation, reflecting underlying institutional strengths and gaps. Cross-cutting measures, which can simultaneously support adaptation, mitigation, and transition objectives, accounted for about half of all measures in both completed and ongoing RSF arrangements (Figure 9A). These measures focused mainly on green public financial management (PFM) and financial sector measures where staff often drew on in-house expertise (Figure 9B). While country authorities interviewed by the IEO emphasized adaptation as the main challenge, noting that it should be as prominent as mitigation in program design, a greater weight was placed on mitigation measures in line with the Fund's traditional stronger expertise (e.g., fuel subsidy reform and carbon pricing).[5] In some cases, SDS authorities and development partners criticized the RSF for overemphasizing mitigation measures with little impact on global emissions. Staff argued that mitigation measures were also intended to facilitate broader economic resilience and signal the authorities' strong commitment to the reform agenda and, thereby, reinforcing the catalytic effect, and emphasized that more recent RSF cases have corrected this relative emphasis on mitigation.

While the Fund has strengthened adaptation expertise, perceptions remain that greater weight is placed on mitigation policies. More recently, the Fund has strengthened its adaptation expertise, particularly within FAD, supported by targeted hires and by leveraging existing strengths in C-PIMA and state-owned enterprise reforms in areas with direct fiscal relevance, including disaster risk financing, water sector reform, climate-resilient public investment, and climate-related contingent liabilities. While this expansion is reflected in the predominantly cross-cutting nature of RMs, perceptions persist, especially by country authorities and some staff, that a strong set of RMs requires incorporating a carbon tax or other strong mitigation measure. This is not required under operational guidance and may be difficult to implement within the timeframe of an RSF arrangement. Moreover, while functional departments have expanded their expertise, relatively limited capacity in some sector-specific adaptation areas at the country-team level persists needing to rely on other institutions' expertise, which can sometimes disincentivize the inclusion of such measures.

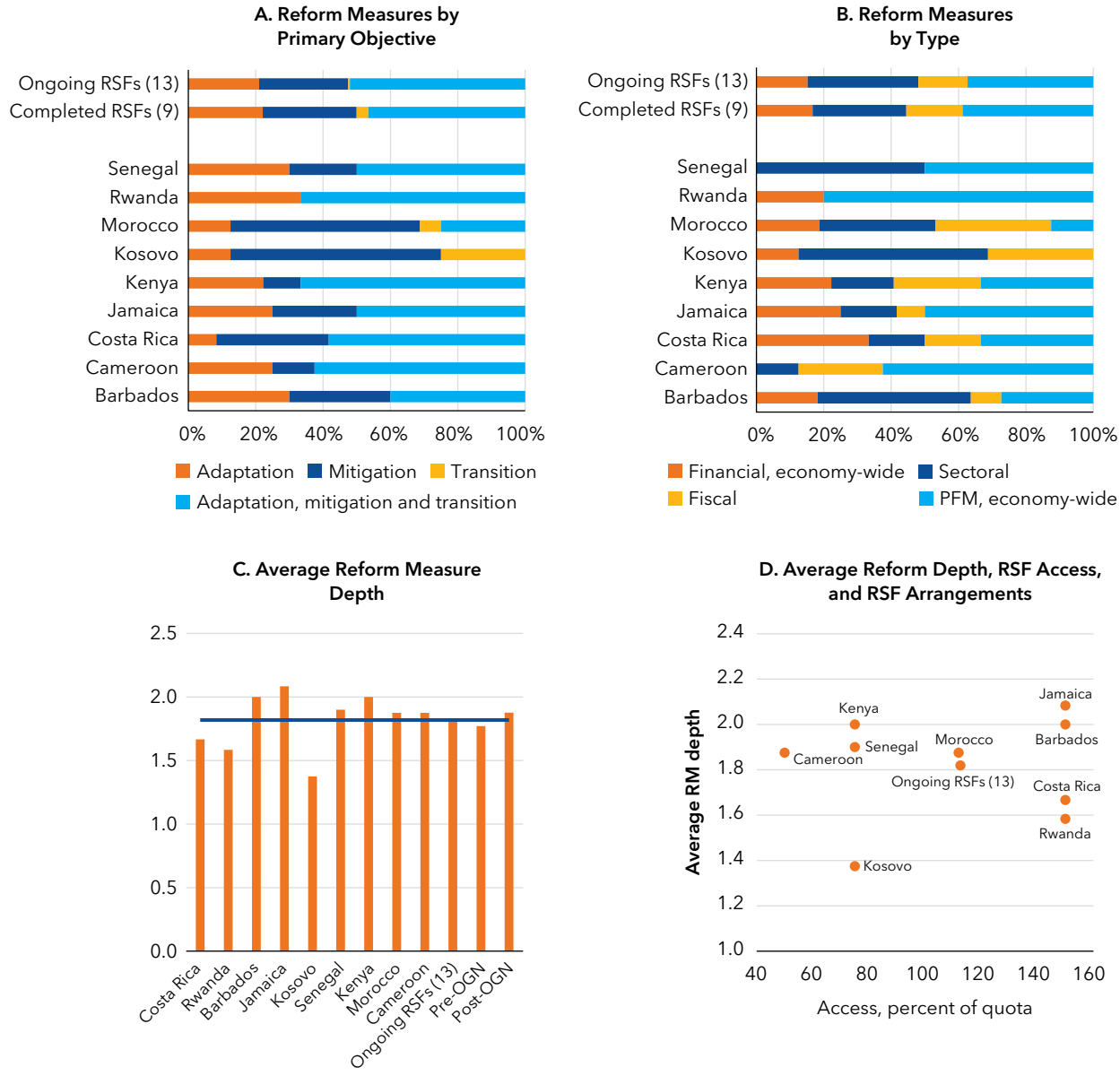
Thematic areas covered by RMs supported under the RSF are generally well-aligned with countries' climate agendas, consistent with the RSF OGN. The 2023 RSF OGN, updated in 2025, notes that RMs should support countries' efforts to meet climate commitments such as Nationally Determined Contributions (NDCs). The guidance calls for an assessment of policy coherence and requires that RMs be credible and not directly undermined by other government actions in the relevant policy area. This includes addressing policies that could offset proposed climate-focused reforms—such as deforestation or fossil fuel exploration in protected areas—before RSF arrangements can be recommended. While the RSF OGN aims to ensure consistency with international climate commitments, tensions persist in RSF-supported arrangements where concurrent UCT arrangements include policies that may conflict with other climate objectives, particularly in the energy sector, reflecting differences in time horizons and the need to address BOP pressures.[6]

[4] RSF commitments and disbursements under the RSF are reported by the IMF as climate finance to the OECD/DAC Creditor Reporting System and Total Official Support for Sustainable Development.

[5] RSF arrangements were mainly requested by countries relatively vulnerable to climate change, countries not well prepared to address climate challenges, and small greenhouse gas emitters mainly facing adaptation issues.

[6] See Arevalo and Lane (2026) for specific examples.

FIGURE 9. REFORM MEASURES–OBJECTIVES, DEPTH, AND TYPE



Sources: IEO assessment of reform measures; IMF RSF staff reports; IEO assessment of reform depth (see footnote 8).
Note: Excludes Egypt, The Gambia, Jordan, and Pakistan.

Among the dimensions to assess the relevance of RMs—depth, criticality, and ambition—depth has, on average, been lower than expected, although there has been improvement.[7] Average RM depth was close to medium in the first 22 RSF arrangements reflecting the inclusion of a significant number of

[7] The RSF OGN (IMF 2023e) establishes that strong RMs should be critical, ambitious, and deep: criticality refers to reforms that are key to reducing risks to prospective BOP stability; ambition refers to reforms that would be unachievable within the same timeline in the absence of an RSF arrangement; and depth refers to reforms that lead to permanent institutional changes with long-lasting impact.

RMs that are preparatory steps classified as low depth (Figure 9C).[8] Among these arrangements, there was a small improvement in the average RM depth following the RSF OGN, with lower variance around the mean, following a modest decline in low-depth RMs—from 36 percent before the guidance note to 28 percent after. These findings are consistent with several studies from CSOs, which found depth to be insufficient but improving, especially in higher access cases. Along the same lines, some staff members saw countries' capacity constraints as the main reason behind the lower-than-expected depth in some cases.

Access criteria were not evenly applied, with weak alignment of access levels and reform depth in completed RSF arrangements. The 2023 RSF OGN required a strong package of measures, while the updated 2025 RSF OGN indicates that access above the norm would require an exceptionally strong package of measures (deep and very ambitious). In practice, the IEO finds that this linkage is weak for completed RSF arrangements with considerable dispersion of reform depth around arrangements at the norm (75 percent of quota) and at the maximum (150 percent, Figure 9D). Some country teams and country authorities indicated that the expectations for reform depth increased after the pilot cases, which all received access at the maximum level, and again after the 2024 RST Interim Review and issuance of the 2025 RSF OGN, suggesting that the determination of access was not consistent over time and across countries.

There is a gap in RM design in assessing their criticality in terms of their impact on prospective BOP stability. The RSF OGN stresses that critical measures will depend on country circumstances while noting that measures should close critical policy, legal, data and institutional gaps in the implementation of the national climate objectives. However, RSF staff reports typically present RMs in a dedicated table or box without providing a clear explanation or rationale for their criticality, their contribution to prospective BOP stability, their alignment to NDCs, or their differing depth, from low to high impact. Also, RMs were uniformly linked to identical RSF disbursements, which suggested that they were equally critical. More recent RSF cases, outside the scope of this evaluation, have improved these aspects.

Some authorities considered RMs overly ambitious, given time and capacity constraints. Together with the criteria on depth and criticality, the RSF OGN emphasizes the ambition of RMs, that is, reforms that would not have been undertaken on the same timeline in the absence of an RSF arrangement. Authorities generally perceived RMs as appropriately ambitious, or slightly over-ambitious considering tight timelines, difficulties of technical implementation, and capacity constraints and CD requirements, a perception shared by staff. Authorities credited the RSF with boosting reform momentum and opined in many cases that reforms would not have been implemented without the RSF arrangement. In fewer cases, officials noted that measures were already in national strategies and would still have been implemented, although possibly with delays.

Implementation and Monitoring

Implementation of RMs has been strong, supported by preexisting climate policy agendas, the direct link between disbursements and reform delivery, and the provision of timely TA. In some cases, especially earlier ones, performance was helped by the alignment of RMs with the authorities' preexisting climate policy agenda, which expedited implementation and strengthened ownership. Authorities also pointed to the timely provision of TA attached to the RSF as a key enabling factor. The coupling of disbursements and RM implementation was identified as having reinforced incentives for timely completion. As an indication, RMs show a higher implementation rate in comparison with structural benchmarks in the concurrent UCT programs (where financing is review-based and not tied to the completion of individual benchmarks).

[8] Reform depth is assessed using the methodology from the 2023 RSF OGN (also used in the 2018 Review of Conditionality). All RMs are equally weighted. Key: 1 = low depth—reforms that in themselves do not bring about change but are steps to a change; 2 = medium depth—reforms that lead to a significant change but are one-off in nature as opposed to a permanent change; 3 = high depth—reforms that lead to permanent institutional change, such as by involving legislative changes or conditions with long-lasting impact.

The short duration of RSF engagement has emerged as an impediment, potentially limiting depth, criticality, and ambition of reforms. Many beneficiaries expressed concerns that the link of the RSF to a UCT arrangement—which is short-term in nature—rushed the implementation of RMs that would have required a longer-term horizon. UCT arrangements typically span 18 to 36 months, and the approved RSF arrangements had an average duration of 27 months. This temporal limitation complicates the implementation of RMs, potentially requiring faster execution or reducing their depth or ambition, especially when reforms are complex or politically sensitive. Importantly, the 2024 RST Interim Review provided flexibility to extend RSF arrangements beyond a single UCT cycle by allowing an ongoing RSF arrangement to continue when a new qualifying UCT arrangement was approved. Nevertheless, many users continue to call for greater flexibility, including the possibility of extending RSF timelines or decoupling them from UCT cycles. For example, longer-term engagement could be facilitated by allowing RSF arrangements to remain active beyond the expiration of the associated UCT arrangement. Complementarily, access limits could be reviewed.[9]

Engagement on climate policies following RSF arrangement completion remains limited and uneven. Monitoring assumes increased importance in RSF arrangements, given their extended repayment periods, the need to preserve the reserve asset status of RST claims, and the sustained implementation of RMs. The RSF OGN established that monitoring should occur through Article IV consultations and the Post-Financing Assessment (PFA).[10] While the sample of completed RSF arrangements assessed remains limited, evidence points to mixed experience with Article IV consultations, with some cases systematically mapping progress on each RM and its outcomes, while others provided an overview of reforms without granularity. Interviewed staff identified the lack of operational guidance in the surveillance context and the reduced access to resources and technical support once a program concludes as factors affecting post-RSF monitoring.

Collaboration

Collaboration with development partners has generally been effective, although experience offers lessons to improve partnerships. As expected, collaboration has been extensive, covering all stages of RSF arrangements, and intensive, especially on sectoral adaptation issues where the Fund has less expertise. Authorities, partners, and staff agreed that collaboration was effective; instrumentally underpinned on the ground by mission chiefs, resident representatives, and Regional Capacity Development Centers; and, in some cases, supported by formal collaboration frameworks agreed at the institutional level. Partners generally highlighted the dynamizing effect of the Fund's engagement, providing impetus to otherwise slow-moving climate agendas. However, they also noted diverse concerns in terms of the Fund's possible institutional drift toward sectoral issues, operational overlaps, the misidentification of the most relevant partner, cases of late engagement in the development of RSF arrangements, and the use of partners' effort and resources without proper coordination or credit. These concerns underscore the importance of early and close collaboration between the Fund and MDBs to ensure complementarity, preserve program coherence, and clarify institutional roles and areas of comparative advantage.

Staff saw reliance on other partners as posing some implementation and monitoring risks. The focus of RMs differed significantly across the completed RSF

[9] Options include an increase of cumulative access limit in percent of quota and/or the introduction of an annual access limit of around 50 percent of quota, with deviations from the norm only in exceptional and well-defined circumstances, which would extend the minimum duration of potential RSF engagement to three or more years. Currently, access under the RST is subject to a maximum of 50 percent of quota per review, and to a cumulative access limit: the lower of 150 percent of quota or SDR 1 billion. Access from the RST does not count toward normal access limits (200 percent annual, 600 percent cumulative).

[10] In line with Fund policies, a PFA is required upon completion of an RSF when combined IMF credit outstanding exceeds 200 percent of quota or when nominal RST-specific credit outstanding exceeds SDR 0.38 billion.

arrangements (Figure 9B), ranging from measures focused on more traditional Fund competencies to RMs that had a strong focus on sectoral policies—e.g., transportation, electricity, or construction—which required close collaboration with other institutions for supporting their design, monitoring, and implementation.[11] Staff viewed this reliance on partners as posing implementation and monitoring risks, given the Fund's lack of control over the required expertise. Such risks could be addressed both by narrowing RMs to the Fund's expertise or by strengthening collaboration with established counterparts.[12]

Value Added

The assessment of the RSF's value added is strongly positive. Both interviewed staff and especially authorities appreciated the RSF's (i) effectiveness, combining the provision of BOP support, which in some cases was used as budget financing, with flexible, fast, and efficient procedures; (ii) associated support, provided by the Fund and others; (iii) disciplining and dynamizing effect across national institutions, which either enabled or accelerated reforms that, absent the RSF, would have been delayed or not undertaken; and (iv) signaling, reinforcing market confidence by supporting the implementation of members' climate agendas and commitments and by enhancing creditworthiness through the combination of a Fund-supported program and a dedicated climate policy track under the RSF. In this process, the strong convening power of the Fund was widely acknowledged by authorities, staff, and development partners. IEO survey results point in the same direction (see Annex 7).

Open Issues

It is still early to assess the catalytic effect of the RSF. Positive impacts were reported by staff and authorities in several cases, especially among early users and on official finance flows. In other cases, the catalytic effect was reportedly ambiguous, as impact was difficult to disentangle from that of the UCT arrangement, and in some countries, authorities did not have the relevant data yet. Survey results were mixed; authorities were more positive, with almost three quarters perceiving a significant catalytic effect, while only around 40 percent of staff did so. These results are in line with recent research conducted within and outside the Fund, which finds a broad catalytic effect is unproven, especially related to private sector financing.[13]

Views on the requirement to link RSF and UCT arrangements are split. On the one hand, most staff and RSF contributors consider the linkage necessary to ensure strong policy safeguards, anchor the facility in the Fund's mandate, and preserve the reserve asset status of RST contributions. On the other hand, some members have requested that RSF arrangements be made easier to access on a stand-alone basis, arguing they do not have the capacity to undertake both programs or fear the stigma and/or political economy concerns associated with a UCT arrangement, an issue that they view as less prominent with the RSF as a standalone arrangement.[14] These views are particularly prevalent among certain groups like SDSs and fragile and conflict-affected states (FCSs). Relatedly, despite some members' concerns, there is no evidence of RSF conditionality affecting that of the UCT or vice versa. The same applies to the duration of arrangements;

[11] While the Fund collaborates closely with other institutions, it retains sole responsibility for designing and monitoring all RMs under RSF arrangements, and no cross-conditionality applies.

[12] In this context, MDBs have established Mutual Reliance Frameworks, under which development banks' cofinancing projects rely on a single lead institution's policies and supervision, giving borrowers one set of rules and reducing duplication.

[13] See Diallo and others (2026) and Task Force on Climate Development and the International Monetary Fund (2024).

[14] Similar views have been expressed by external stakeholders, such as Bridgetown Initiative (2022), Rambarran (2024), and Climate Vulnerable Forum/Vulnerable Twenty Group (2023). Staff considered a signaling (non-financing) RSF to avoid the need for a concurrent UCT arrangement, but demand would be uncertain given the large financing needs and the RSF's still-unclear catalytic impact.

while an extension of the UCT was requested in 9 out of the 16 reviewed RSF arrangements, such extension could have occurred absent an RSF. Potential intermediate reform options could include (i) offering a lower level of access if there is no concurrent UCT program, or (ii) linking RSF eligibility to a positive assessment in an Article IV consultation indicating, before RSF approval and during the life of the arrangement, sufficiently sound macroeconomic policies and adequate capacity to repay.

The broadly positive assessment of the RSF points to continued demand, which will require monitoring of the adequacy of RST resources. Staff's latest baseline assumptions project that pledged usable loan resources will likely be sufficient to meet demand until the end of the drawdown period in 2030. This implies about six approvals per year in 2026–28, with annual average commitments of SDR 2.2 billion, below the 2022–25 average of 2.7 billion. Staff notes that this moderation reflects a more precise timing of pipeline requests, and emphasizes that within the smaller projected sample, the share of Group A lending rises and that substantial uncertainty remains.[15] At the same time, resources could be depleted more rapidly depending on demand drivers, including heightened uncertainty and exogenous shocks such as higher commodity prices or other BOP pressures. Improved RST design and implementation could further boost demand. In this context, the RST's longer-term sustainability warrants continued monitoring, including the possible channeling of additional SDRs, if needed.

[15] The 2025 adequacy update projected about 12 RSF approvals per year in 2025–26, with annual average commitments of SDR 5.8 billion to reach about SDR 19 billion of total commitments in 2026 (IMF 2025f). The 2026 update follows the streamlining exercise, and it presents a more moderate pipeline with annual average commitments of SDR 2.2 billion, reaching a total commitment of SDR 16.7 billion through 2028 (IMF 2026). RST pledged usable loan resources amount to SDR 19.7 billion. In 2025, two RST arrangements were approved at the SDR 1 billion cap.