



RECOMMENDATIONS

Decisions about the future pace and ambition of the IMF's climate-related work should be made in the context of the Fund's overall institutional strategy and budget process. Such decisions will require careful assessment of climate-related macroeconomic risks, members' needs and priorities, and the risks to the Fund arising either from insufficient support for members' climate-related challenges or from capacity overstretch. In this regard, the present evaluation contributes to the ongoing discussion on the value and scope of the Fund's climate-related engagement, building on the IEO's evaluation of the IMF's mandate (IEO 2024). That evaluation proposed a decision-making framework and recommendations endorsed by the Executive Board, which are currently being implemented in the context of the 2026 CSR. As part of an early-stage evaluation, the recommendations below aim to strengthen the Fund's climate-related work broadly within the current framework and resource envelope.

Recommendation 1.

Surveillance: Article IV staff reports should more explicitly assess macrocriticality and enhance the tailoring of climate-related coverage.

Some suggestions include the following:

- ▶ **Assessment of macrocriticality.** In line with the 2022 Guidance Note, Article IV staff reports should provide a more explicit assessment—quantitative or qualitative, depending on data availability and/or sufficient input from external partners—of the macrocriticality of climate-related issues and justification of policy advice, adjusting its depth and frequency. This could include an analysis of potential impacts and key risks, links to BOP or macroeconomic stability, and greater consistency among the main text, RAM, and DSA. The set of standardized climate panel charts developed by FAD, SPR, and STA could support this effort if they are more systematically incorporated in Article IV staff reports.
- ▶ **Tailoring coverage.** To enhance the traction of climate-related bilateral and multilateral surveillance, the Fund's analysis and policy advice should be adapted further to country-specific circumstances. This could include calibrating the coverage of mitigation policies in line with countries' emissions profiles, a greater focus on adaptation and transition issues where relevant, additional coverage of non-pricing mitigation policies, and a more explicit articulation of the trade-offs and distributional impact of climate policies. As climate-related issues are better integrated, a reallocation of relevant expertise between functional and area departments, as called for by the latter, could help in this regard.

- ▶ **Analytical tools and models.** The ongoing refinement of the Fund's analytical tools and models should progressively address remaining gaps. This could include better incorporating the feedback effects of climate onto the economy, improving country-level macroeconomic impact analysis, creating standardized metrics of climate-related financial risks, strengthening tools and models to assess adaptation policies, and enhancing the modeling of financing needs.
- ▶ **Communications.** To better manage expectations, the Fund should better align its internal and external communications with the climate-related work it undertakes, articulating more clearly what the Fund is, and is not, expected to do on climate-related issues and policies within its mandate. This would facilitate collaboration with external stakeholders and help bring staff incentives in line with institutional priorities. Additionally, the Fund should clarify its climate-related terminology, facilitating its use across activities, reducing the room for misunderstandings, and enabling comparison with other international organizations.

Recommendation 2.

Lending: The IMF should strengthen the value that the RSF provides to members—by revisiting its duration and enhancing the design of RMs, the collaboration with partners, and post-program monitoring—and, more broadly, clarify how climate-related considerations are to be integrated into the overall lending framework.

Some suggestions include the following:

- ▶ **Duration.** The Fund should consider extending the length of RSF engagement to address the limitations that the short duration imposes on the ambition and applicability of RMs. Longer-term engagement could be facilitated by allowing RSF arrangements to remain active beyond the expiration of the associated UCT arrangement, establishing an annual access limit, and/or increasing the cumulative access limit subject to financial constraints.
- ▶ **Design of RMs.** In line with the RSF OGN, effectiveness of RMs could be enhanced through more systematic use of climate change country diagnostics to better tailor and sequence reforms to country priorities and capacity, particularly for adaptation. Assessments of criticality could also be strengthened by more consistently systematizing the explanation of the expected BOP impact of RMs in program requests. Reform implementation, depth, and ambition could be enhanced by greater focus on measures within the Fund's areas of expertise, including sectoral ones for which in-house capacity has been developed, and by more effective leveraging of partner's comparative advantages.
- ▶ **Collaboration.** To enhance the efficiency of collaboration, lessons should be drawn from those cases identified as successful, distilling best practices, such as on the ground presence, early identification of, engagement with, and ex ante delineation of responsibilities with the most relevant partners.
- ▶ **Monitoring.** To better track progress on RMs and avoid uneven application, staff would benefit from further guidance on the timing and scope of the follow-up and post-program monitoring after an RSF arrangement, beyond the PFA. A template, like the one used in monitoring FSAP recommendations, could be developed.
- ▶ **Climate policies in non-RSF lending.** The Fund should further explore the role non-RSF lending could play in supporting members' critical climate-related policies. The experience with the RSF can help inform how to address long-term climate goals within Fund-supported program objectives or conditionality.

Recommendation 3.

Capacity Development: Staff should strengthen the links between climate-related CD, surveillance, and lending to increase the effectiveness of all three activities.

Some suggestions include the following:

- ▶ **CD-RSF link.** To increase effectiveness and traction, the Fund should learn from positive experiences, often including early engagement of CD departments and Regional Capacity Development Centers. More focused, better-coordinated, and better-sequenced climate-related TA agendas—especially in multiple partners settings—would also help, as would closer attention to the balance between RSF-linked and non-RSF TA and to how RSF timing affects the depth and realism of TA delivery.
- ▶ **CD-surveillance link.** The Fund should better integrate climate-related TA with general TA and surveillance, including through more systematic coverage in staff reports, when confidentiality allows, to increase the effectiveness and rationalization of climate-related TA delivery as well as facilitate more consistent follow-up.

Budgetary Implications and Enterprise Risk Management

These recommendations fit within the scope of the climate approach and can largely be implemented under the current guidelines or as part of ongoing and planned policy review exercises. Recommendation 1 can be addressed through enhanced application of the 2022 Guidance Note and

within the ongoing CSR and subsequent update of the Guidance Note for Surveillance under Article IV Consultations. Elements of Recommendation 2 can be addressed through the ongoing application and a revision of the 2025 RSF OGN and by leveraging initiatives such as the Enhanced Cooperation Framework to Scale Up Climate Action. The discussion of the integration of climate-related issues into the overall lending framework could be included in the ongoing ROC or jointly with the next review of the RSF. Recommendation 3, meanwhile, can be addressed in revisions to the RSF OGN and the CSR, as well as during the next CD strategy review scheduled for FY2029. Most proposals do not entail an immediate increase in the resources allocated to climate-related work, although some of them, such as enhanced monitoring and collaboration, or the fine-tuning of tools and models will have resource implications. Potential savings could be achieved by optimizing the scope of climate-related activities and from greater and more effective reliance on partners.

The implementation of these recommendations would reduce the enterprise risks associated with the IMF's engagement on climate-related issues (see Annex 4). They would support the ongoing decline in business and operational risks by consolidating the Fund's expertise and better focusing its role and resource allocation. The implementation of the recommendations would also help lower reputational and strategic risks by helping to balance members' demands and institutional priorities, improve country tailoring, and better aligning external perceptions and expectations with the Fund's work. While improvements to the RSF could increase demand for this facility, the impact on the financial risk to the Fund would be negligible given the RST financing architecture.