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The IMF's Climate Change Work: Institutional Issues

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The IMF's Climate Change Work: Institutional Issues

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ABBREVIATIONS

ADB	Asian Development Bank
AFR	African Department (IMF)
APD	Asia and Pacific Department (IMF)
CD	Capacity Development
CoP	Community of Practice
CSR	Comprehensive Surveillance Review
ED	Executive Director
EMDE	Emerging Market and Developing Economy
EUR	European Department (IMF)
FAD	Fiscal Affairs Department (IMF)
FIN	Finance Department (IMF)
FSAP	Financial Sector Assessment Program
FTE	Full-Time Equivalent
GRA	General Resources Account
HRD	Human Resources Department (IMF)
ICD	Institute for Capacity Development (IMF)
IDB	Inter-American Development Bank
IRC	Internal Review Committee
LEG	Legal Department (IMF)
MDB	Multilateral Development Bank
MCM	Monetary and Capital Markets Department (IMF)
MCD	Middle East and Central Asia Department (IMF)
OECD	Organisation for Economic Co-operation and Development
RES	Research Department (IMF)
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust
SPR	Strategy, Policy, and Review Department (IMF)
STA	Statistics Department (IMF)
TA	Technical Assistance
WHD	Western Hemisphere Department (IMF)
WB	World Bank

EXECUTIVE SUMMARY

This paper reviews the institutional and organizational evolution of the IMF's climate change work, focusing on the operationalization of the Fund's 2021 Climate Strategy and the implementation of the Resilience and Sustainability Trust (RST) and Resilience and Sustainability Facility (RSF) from 2021 through mid-2025. The analysis centers on how the IMF has integrated climate change into its operations, the mechanisms established to coordinate this work, the allocation of resources, and the management of associated risks, particularly during the FY2023–25 budget augmentation period.

The IMF's new approach to climate work has been broadly implemented as intended. To support the Climate Strategy, the IMF approved a medium-term budget augmentation for FY2023–25, with climate work accounting for a large share of the resources. The augmentation enabled the hiring of staff with climate expertise, development of analytical tools, and scaling up of climate work. However, the rapid expansion of climate work introduced risks, including concerns about crowding out traditional core IMF areas and the adequacy of resources for various functions, which in retrospect were moderate. Actual spending and staffing sometimes exceeded planned levels, especially in departments most engaged with the RSF and RST. Resource pressures were most intense in the initial years, with overspending and increased overtime, but have since moderated as planning and prioritization improved and demand has started to subside. Overall, the quality of the IMF's work was not significantly compromised by the integration of climate-related issues.

The operationalization of the Climate Strategy brought challenges in resource management, coordination, and risk mitigation. While the Fund's approach of concentrating climate expertise in functional departments provided a strong technical foundation, it also created challenges in meeting country-level demands and integrating new hires into the Fund's workflows. Area departments received fewer climate-related hires and depended on climate-related hires in functional departments for additional support to country teams.

Institutional coordination improved over time, with the Strategy, Policy, and Review Department (SPR) assuming a central role in prioritizing and guiding climate work. The establishment of interdepartmental committees and clearer priority-setting helped align activities with institutional objectives and reduced tensions between area and functional departments. Collaboration with external partners, such as the World Bank and the Inter-American Development Bank, was formalized to leverage expertise and avoid duplication, though operational challenges and occasional tensions over mandates persisted.

Looking ahead, the Fund's ability to sustain and deepen its climate engagement will depend on continued availability of resources, attention to risk management, strategic clarity, and effective coordination, both internally and with external partners. Adequate integration of climate-related issues within traditional core macroeconomic work, ensuring the sustainability of climate expertise, and clarifying roles with external stakeholders will be critical to preserving the Fund's credibility and impact in the evolving global climate finance landscape.

I. INTRODUCTION

1. **This paper examines institutional and organizational issues emerging from the operationalization of the International Monetary Fund's (IMF) climate strategy.** It also analyzes the implementation of the Resilience and Sustainability Trust (RST) and Resilience and Sustainability Facility (RSF). The paper is written as background for the IEO's evaluation of the IMF and Climate Change. The evaluation covers the period from January 2021 to June 2025. This paper addresses questions related to staffing, resources, organizational aspects, and institutional risks of implementation, with particular focus during the period of the FY2023–25 budget augmentation.

2. **Key issues examined are as follows:** (i) the extent to which the institution has internalized climate change work as part of its remit; (ii) the functioning of institutional mechanisms and structures established to conduct and coordinate climate change work; (iii) the adequacy of budget resources allocated to climate change work; (iv) the adequacy of human resources in the IMF, both in terms of numbers and expertise, to deliver on climate change-related objectives; (v) the extent to which the allocation of resources to climate change work may have affected the IMF's work in other areas; and (vi) the extent to which any enterprise risks associated with the integration of climate change work have been considered, addressed, and mitigated by the institution.

3. **The analysis considers the Fund's approach and expectations for integrating climate change issues in its activities, leveraging climate-related findings from previous IEO and IMF reports.** The paper focuses on the allocation of human and financial resources, the evolution of internal coordination and structures. The approach is mixed-methods, incorporating both quantitative and qualitative elements. Sources include a desk review of internal and external Fund documentation; interviews with IMF staff, country authorities, and international organizations; text analysis methods; surveys; and analyses of Fund data (e.g., human resources and budget data). The assessment also draws on relevant findings and conclusions from a previous IEO evaluation (IEO 2024).

4. **The paper is structured as follows:** Section II outlines the legal and institutional context of the IMF's climate work. Section III presents the rationale for the Fund's expanded engagement. Section IV discusses institutional arrangements, including resource allocation and organizational adaptation. Section V discusses the adaptation of the organizational structure to face challenges and risks. Section VI offers conclusions and suggestions for strengthening the IMF's institutional response to climate change, based on early lessons learned.

II. INITIAL STRATEGY

5. **The IMF adopted a formal policy to step up its provision of advice and analysis on climate issues with Executive Board endorsement of the Climate Strategy in July 2021.** Following a period of increasing but rather ad hoc involvement in climate change analysis and policy issues, under the strategy the IMF would regularly cover macroeconomic policy challenges related to climate change in Article IV consultations, would include climate-related policy actions in lending programs when deemed critical to solve balance of payments problems, and would provide technical assistance (TA) and training to country officials.

6. **For surveillance, a planned approach and legal framework were already set out in the 2021 Comprehensive Surveillance Review (CSR) several months earlier.** The CSR built on an evolution of policies and practices that included the 2012 Integrated Surveillance Decision (IMF 2012), 2014 Triennial Surveillance Review (IMF 2014), and 2015 Surveillance Guidance Note (IMF 2015), which all sought to clarify the Fund's legal framework for addressing climate change as a macrocritical issue (Gallagher, Rustomjee, and Arevalo 2024). The CSR recognized that climate change was a "macrocritical" issue and stressed the importance of a more systematic integration into Article IVs and other surveillance activities of climate change issues (along with other non-traditional core topics).

7. **Some specific features and deliverables of the 2021 Climate Strategy were as follows:**

- Analyzing climate-related issues in approximately 60 Article IV reports per year, to allow covering adaptation strategies in those member countries most vulnerable to climate change every three years, mitigation policies in the 20 largest emitters of greenhouse gases every three years, and policies to manage the transition to a low-carbon economy for all countries every six years.

- Analysis of climate risk and assessment of relevant financial oversight frameworks in all Financial Sector Assessment Program (FSAP) exercises.

- Coverage of climate issues in one to two chapters in each of the IMF's flagship multilateral surveillance and Regional Economic Outlook reports; several general policy or methodological papers per year; and the launch of a new series of analytical papers—*Staff Climate Notes*.

- Development of macro models and analytical toolkits that incorporate energy sector aspects and the implications of climate-related events and assess policy options.

- With regard to IMF lending, no specific activity targets were set, but it was recognized that climate-related measures could be included in program design as appropriate.

- An expansion of capacity development (CD) activities, including 10 Climate Macroeconomic Assessment Program (CMAP) diagnostic reports per year to underpin Article IV consultations with vulnerable countries; almost 90 capacity development exercises with individual members across a wide range of areas; and increased offerings of online and in-person training courses and tools.

- Increased engagement and collaborative efforts with other institutions and development partners, academics, policymakers and non-governmental organizations involved in climate change issues.

8. **The 2021 Climate Strategy recognized that, despite significant reallocation of resources over previous years, additional resources would be needed to support the envisaged expansion of the Fund's surveillance and capacity development work on climate change.** The Climate Strategy estimated the steady-state staff resource needs to meet the proposed deliverables to be 115 full-time equivalents (FTEs), 95 of which would be covered by the IMF's internal budget resources, while an additional 20 FTEs could be covered by donor funds dedicated to CD activities. The transition period required to achieve the steady state was set at three years. While the range of surveillance, analytical and CD activities were intended to support the formulation of any climate-related policy measures deemed appropriate to include in Fund-supported arrangements, resource needs associated with any expansion of lending activity related to the climate strategy was not covered by this call for additional resources. In endorsing the Strategy in principle, Executive Directors (EDs) agreed that the final amount of additional resources and associated deliverables would be decided in the months ahead in the context of discussions on the FY 2023–25 medium-term budget.

9. **Along with the Executive Board's endorsement of the formal framework, work on climate issues was gradually integrated into the IMF's operational strategic planning framework.** From FY2020, the Fund's annual Accountability Framework began incorporating specific deliverables and objectives related to work on climate issues in individual IMF departments. Area department surveillance objectives included references to analysis of climate policies and their impact, expanding over time to include regional climate policy advice and organizing training activities. Fiscal Affairs Department (FAD) advanced work on policy assessments and pilot country reviews, including fiscal risk analysis and early steps toward climate-related tools; Monetary and Capital Markets Department (MCM) planned flagship seminars during the Annual Meetings, alongside initial work on climate risk in financial supervision; and Research Department (RES) enhanced World Economic Outlook (WEO) coverage and cross-border analysis related to climate change and strengthened surveillance of commodity markets.

10. **Subsequent Accountability Framework exercises reflected a clearer division of roles for departments, further advancing the integration of the IMF's climate work in the institution's annual strategic planning.** The Strategy, Policy and Review Department (SPR)

coordinated efforts, working with functional TA departments[1] to develop climate-related fiscal tools, financial risk frameworks, legal guidance, and capacity development programs. Institute for Capacity Development (ICD) enhanced its internal and external training offerings related to climate. FAD focused on the development of fiscal tools such as the Public Investment Management Assessment (PIMA) climate module and Climate Policy Assessment Tool and alongside SPR, incorporated climate considerations into debt sustainability work. MCM deepened its focus on climate finance, climate-related financial risk supervision and created capacity-building programs on Central Bank Digital Currencies and Fintech with climate risk components. Meanwhile, Legal Department (LEG) published legal notes on climate, advanced governance and anti-corruption efforts related to climate, and contributed to digitalization policy with a climate focus. Area departments adapted these to country and regional contexts through surveillance and program design. Asia and Pacific Department (APD) delivered policy advice and training at the regional and country level, supported fragile states, and maintained climate policy databases. The Western Hemisphere Department (WHD) promoted work related to climate adaptation in the Caribbean region, particularly in Small Island Developing States. And non-TA functional departments provided strategic coordination, research, and outreach. RES led research on climate mitigation, green growth, and digitalization impacts, as well as the development of two new and complementary global frontier macroeconomic-climate models, while SPR became the central department to coordinate the Funds climate work. This structure allowed climate considerations to be integrated into surveillance, lending, and capacity development while leveraging specialized expertise across departments.

III. Operationalization of the Climate Strategy

11. **The expansion of the IMF's work on climate issues was made operational with the adoption of the Budget Augmentation Framework discussed by the IMF Executive Board in December 2021.** The Budget Augmentation Framework proposed a 6 percent increase in the Fund's net administration budget over the forthcoming three fiscal years—FY2023 through FY2025—to cover five new key areas of work for the Fund. Resources for work on climate change issues accounted for 37 percent of the augmentation, or a 2 ¼ percentage point increase. These additional resources were reflected in the FY2023–25 medium-term budget and formally approved by the Board in April 2022.

12. **The medium-term budget augmentation, ultimately approved in April 2022, entailed a scaling back in the overall scale of climate deliverables and associated resourcing with respect to the climate strategy.** The budget augmentation was to cover not only expanded work on climate but also on four other non-traditional areas: digital money, macro-financial surveillance, support to fragile and conflict-affected states, and gender and inclusion. The adopted budget outcome reflected consultative discussions involving the

[1] Functional-TA departments include FAD, ICD, LEG, MCM, and STA and Functional non-TA departments include COM, FIN, RES, and SPR.

Executive Board, management, and staff throughout the latter part of 2021 on the overall scale of the augmentation and its distribution across these various issues. It was organized in three phases: the foundational phase, intended for the IMF to develop tools, guidance, and analytics, along with initiating country engagement pilots; the growth phase, which increased recruitment and capacity to facilitate direct country engagement; and the stabilization phase where it was expected Fund activities would be maintained at a steady level (IMF 2022a; De Lannoy 2024). The proposed climate deliverables under the approved budget augmentation are summarized in IMF (2022a), Table 1. The main adjustments relative to the initial climate strategy included:

- Coverage of climate-related policies in about 45 Article IVs per year, down from 60 proposed in the Climate Strategy. Coverage of the most vulnerable countries would be every four years rather than three, while covering the transition to a low-carbon economy would be needs-based rather than universal.

- Exposure to climate risk would be analyzed in two-thirds of FSAPs conducted annually, rather than all.

- Proposed CD activities were scaled back somewhat. Notably, planned Climate Macroeconomic Assessment Program (CMAPs) were reduced to 5 from 10.

- Targets for publication of policy papers and coverage of climate issues in regional economic outlook reports were both scaled back.

- The Climate Strategy envisioned a staffing need of 95 FTEs financed by the IMF's internal budget, and an additional 20 by donor funds. In comparison, the steady-state budget augmentation of $27 million, included an estimated additional 70 hires for climate work to be covered by IMF internal resources.[2] As for externally-financed activities, the augmentation framework envisaged $6 million in climate-related CD financed by donors, which would translate to 16–17 FTEs assuming the same metric as the estimate for internal resources.

13. **The establishment of the RST in 2022 led to additional demands on resources in terms of specific deliverables not originally included at the time of the budget augmentation.** It was recognized at the time of the augmentation budget by the Board that the creation of a new lending facility to address the impact of climate change and other longer-term structural challenges in member countries would entail both set-up and ongoing costs.[3] Set-up costs included work on RST design, fundraising, IT configuration, and the development of lending policies under the trust. Ongoing operational costs beyond those included: (i) trust

[2] Estimate provided by OBP. The budget augmentation was approved in dollar terms and that the final allocation of FTEs reflected the balance of needs identified through a further fleshing out of requirements over the three-year implementation period (within the approved resource base).

[3] See IMF (2022c).

management and periodic financial reviews; and (ii) operational work on country programs and policies, and collaboration with development banks and other agencies. Gross steady-state costs were estimated at the time to amount to $15 million, including $5–6 million in trust management costs. The FY2023 budget proposal envisaged that: (i) set-up costs would be covered through room in existing departmental budgets supplemented by transitional resources; (ii) ongoing trust management costs would be covered by a management fee charged to the trust; and (iii) other ongoing operational costs (with the largest impact in area departments) would be handled through the regular budget process. As RST-related needs were better understood, these needs were reflected in regular implementation updates for the climate strategy, and in the allocation of both augmentation and pre-augmentation resources.

14. **With the climate strategy and augmented medium-term budget in place, the Fund's engagement on climate deepened in response to growing country demand and internal recognition of its macrocriticality.** The integration of climate issues into the IMF's work was strongly supported by IMF management and endorsed by the Executive Board. In approving the strategy, EDs broadly agreed that the Fund has an important role to play within its mandate to address members' climate change-related challenges through its surveillance, when macrocritical, and CD activities. However, there were mixed views on using program conditionality in lending for climate purposes, with many EDs emphasizing the importance of careful consideration in this context. They agreed that policy papers and multilateral surveillance reports should disseminate the Fund's analytical and policy work on climate, stressing the need for models and standardized toolkits. Collaboration with other organizations, especially the World Bank, was highlighted, along with internal reorganization to establish Climate Change Knowledge Hubs (Climate Hubs) and reinforce departments as needed. Moreover, interviews conducted in the context of this evaluation indicate that IMF staff, on its part, increasingly supported IMF's expanded role on the premise that climate issues were macrocritical and driven by the Board's interest. As for country authorities, there was strong demand for climate-related work in the context of surveillance, lending under the RSF and TA.

15. **Concerns were raised among stakeholders, particularly at the outset of the new strategy, on the appropriate balance between the IMF's work on climate issues and its work on more traditional "core" macroeconomic and financial policy issues.** While the augmentation itself recognized the need that work on climate (and other emerging issues) should be adequately resourced**,** a number of EDs expressed concerns in formal Board discussions that work on climate issues could crowd out activities in other more traditional work streams. This was also raised in interviews with both staff and EDs. Relatedly, there was a lack of clarity on what "macrocritical" meant in the context of climate—i.e., where to draw the line, what issues the IMF should get involved in, and what should be left to other relevant institutions or stakeholders. Finally, questions were raised both by EDs and outside observers about what the Fund's comparative advantage in the global financial climate architecture was, and how best to address the membership needs on climate issues within the Funds mandate. Interviews indicate that these concerns were shared by staff as well.

IV. Spending and Human Resources Developments

Resources, Spending, and Implementation Challenges

16. **Implementation of the Fund's climate strategy under the augmentation framework has been broadly as envisaged but has been marked by frictions and uneven pressures across departments, especially early on.** Over the FY2023–25 period, about 36 percent of the augmentation resources were allocated to climate work. Of these climate-related resources, direct country operations accounted for approximately 74 percent with the remaining 26 percent going to multilateral surveillance, policy and analytic work, and training. Considerable FTEs and dollars were spent on climate work (Table 1), largely on RSF-related work. The analysis of climate issues in the context of bilateral and multilateral surveillance was delivered roughly in line with approved (augmentation) targets, climate risk assessments were incorporated into FSAPs, a number of policy papers were published, analytical and methodological tools produced, and CD on climate issues was ramped up on a wide range of topics. That said, several key resource pressures emerged: (i) intense work related to the establishment of the RST, which was incorporated into allocations of broader budgetary resources to area departments beyond the augmentation; (ii) the demand for programs under the RSF as well as the work intensity of each engagement was greater than envisaged (IMF 2024a); and (iii) the initial period of engagement entailed much "learning by doing," with inadequate guidance on how to manage competing priorities in integrating climate into the Fund's work.

Table 1. Direct Spending on Climate by Department
(FTEs; IMF01 and IMF02 in millions of FY2025 U.S. Dollars)

	FY2022			FY2023			FY2024			FY2025		
	FTE	IMF01	IMF02	FTE	IMF01	IMF02	FTE	IMF01	IMF02	FTE	IMF01	IMF02
ADs	40.8	13.6	0.1	63.6	25.7	0.1	62.4	28.8	0.2	54.3	27.1	0.1
CD FDs	32.2	9.5	2.2	42.5	15.9	2.9	47.7	23.8	10.9	55.5	24.4	10.9
Non-CD	13.6	3.5	0.5	29.2	9.1	0.6	30.1	11.3	1.2	25.6	10.3	0.8
Total	86.6	26.6	2.8	135.4	50.7	3.6	140.1	63.8	12.3	135.4	61.9	11.8

Sources: OBP; IEO staff calculations.
Note: Data is based on departments' estimates excluding Fund-wide overheads. Total climate spending as percent of total Fund-financed spending was 3.5 percent in FY2023, 4.3 percent for FY2024 and 4.3 percent for FY2025. Area departments include AFR, APD, EUR, MCD, and WHD. Capacity Development (CD) functional departments (FDs) include FAD, ICD, LEG MCM and STA. Non-CD FDs include RES and SPR. FY2023 was the first year under the augmentation; FY2022 figures are shown as baseline.

17. **These resource pressures were manifested in both higher-than-expected spending on climate work as well as an increase in staff overtime, particularly in the initial part of the budget augmentation period.** In FY2023, the first year of the augmentation framework, OBP estimates indicate that departments receiving augmentation resources for climate work spent about $16.6 million more on climate work than anticipated, an excess of almost 50 percent (excluding donor-funded spending, see Table 2). In FY2024, the excess in spending over budget rose, as additional augmentation resources were not enough to cover a further increase in spending. In FY2025, with the final augmentation of the three-year budget framework and a small reduction in actual expenditures, overall excess spending moderated significantly to $7 million, or 13 percent, over budget (Table 2).

Table 2. IMF01 Budget and Spending on Climate, FY2022–25
(In millions of FY2025 U.S. dollars)

	FY22	FY23			FY24			FY25		
	Actual	Actual	Budget	Difference	Actual	Budget	Difference	Actual	Budget	Difference
Total	*26.6*	50.7	34.1	*16.6*	63.8	45.7	*18.1*	61.9	54.9	*7.0*
Area Depts	*13.6*	25.7	15.3	*10.3*	28.8	18.7	*10.0*	27.1	21.7	*5.4*
CD FDs	*9.5*	15.9	13.5	*2.4*	23.8	18.9	*4.9*	24.4	21.8	*2.6*
Non-CD FDs	*3.5*	9.1	5.2	*3.8*	11.3	8.1	*3.3*	10.3	11.4	*-1.0*

Sources: Office of Budget and Planning (OBP); IEO staff calculations.
Note: Data is based on departments' estimates excluding Fund-wide overheads. Area departments include AFR, APD, EUR, MCD and WHD. Capacity Development (CD) functional departments (FDs) include FAD, ICD, LEG MCM and STA. Non-CD FDs include RES and SPR. FY2023 was the first year under the augmentation; FY2022 figures are shown as baseline.

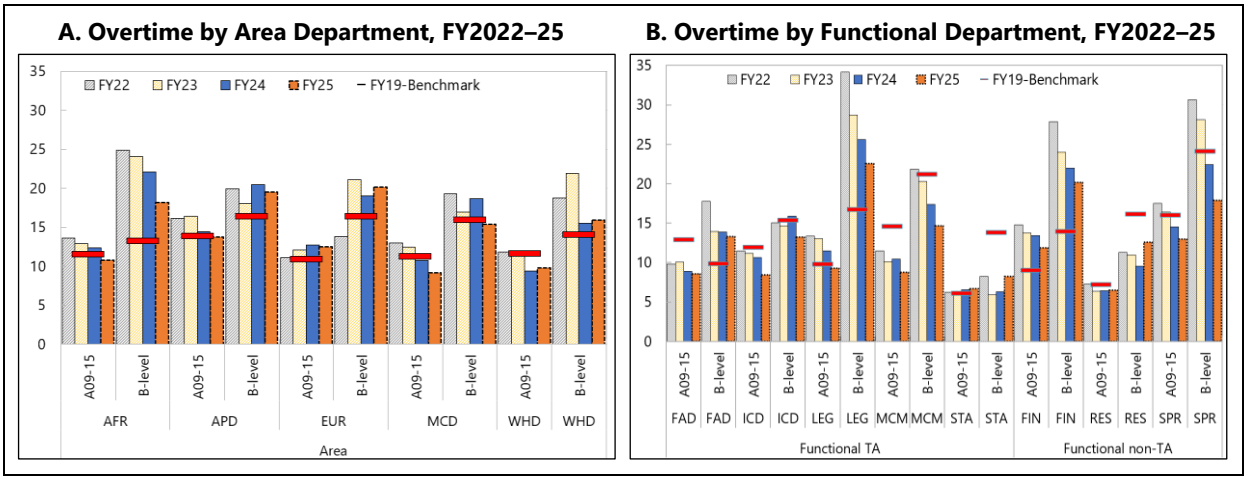
18. **Spending pressures were concentrated in a small number of area and functional departments.** With regard to area departments, the African Department (AFR), which accounted for the majority of RSF program work, saw significant overruns in FY2023. APD also saw a sharp increase in climate-related spending in that initial year. For subsequent years, AFR continued to spend multiples in relation to budget on climate work. The Middle East and Central Asia Department (MCD) spent slightly below budget in FY2023, going slightly over budget for FY2024. The WHD also spent slightly over its budget for all three years, while EUR and APD spent below budget on climate in FY2025. Amongst functional departments, MCM, RES, SPR and the Statistics Departments (STA) exceeded their budgets by somewhat elevated amounts in FY2023. SPR and STA continued to overspend in FY24, joined by ICD with a substantial excess. In contrast, spending pressures receded in RES by the second year of the augmentation. By FY2025, ICD was the only functional department that reported an overspend on climate relative to budget expectations, with SPR's budget spending falling below budget. Both FAD and LEG had no significant overspending on climate during the budget augmentation. Spending on climate work was largely in line with budget expectations in other departments that received resources under the augmentation framework.

19. **Despite not benefiting from the budget augmentation, the Finance Department (FIN) expended considerable resources on the establishment of the RST, the design and launch of the RST fundraising round, and then on the subsequent management of the trust.** RST set-up costs were included in the FY2023 budget, whereby FIN received 12 additional FTEs on a temporary basis to cover work in this area.[4] Detailed data on actual spending by FIN in this area are not available. However, staff interviews indicate that the intensity of this work exceeded expectations and was met through a combination of some reallocation from other activities and overtime. With regard to FY2024 and FY2025, FIN's climate-related spending consisted of RST trust administration work ($25.9 million in FY2024 and $13.6 in FY2025) but these were fully funded by a fee charged to the RST trust.

[4] This information was confirmed by OBP. See also IMF (2021), pp. 29.

20. **Overtime trends appear broadly in line with those on spending.** Despite the initial augmentation in budgets, overtime for most operational departments remained relatively high in FY2023: (i) notably in FIN, LEG, and SPR amongst functional departments; and (ii) AFR and APD amongst area departments. Interviews with staff indicate that the initial implementation stage of the climate strategy—and the establishment of the RST—required more effort in the first year of the augmentation and contributed to higher-than-normal overtime levels, although staff affirmed that higher overtime levels in FY2023 were also due importantly to continued pressures related to crisis work associated with the repercussions of the COVID-19 pandemic. Overtime pressures generally moderated over the course of the subsequent two fiscal years with FY2025 levels considerably lower than FY2023 and closer to the FY2019 levels prior to the pandemic. (Figure 1).

Figure 1. Overtime by Type
(In percent of overtime)



Sources: HRD; IEO staff calculations.

21. **Pressures on resources in departments were driven by rapid increases in spending across surveillance, lending, and activities related to the development of policies and tools.** A precise attribution is difficult to quantify,[5] but available information and interviews with staff suggest the following key factors:

- *Work related to the creation of the RSF and the policy framework and procedures that would govern the RSF programs*. These activities required significant resources that were not part of the budget augmentation and led to a spike in work pressures for certain functional departments: FIN, LEG, and SPR. These departments note that following an intense initial period, work pressures have returned to more manageable levels.

[5] Difficulties in quantifying precisely the resource implications of the Fund's climate efforts were also noted in Gallagher, Rustomjee, and Arevalo (2024).

- *The uptake of programs under the RSF.* The RSF, and the intensity of engagements and policy development required, were considerably greater than anticipated for area departments. The associated overrun in spending was particularly evident in the cases of AFR and WHD, e.g., for FY2024, work on RSF program cases accounted for just under one-half of climate work in AFR and three-quarters in WHD.[6] Area departments noted that the lack of clear guidance on the nature of policy conditionality required under RSFs, particularly at the outset, led to much learning by doing, both internally and in discussions with members. They also observed that additional staffing under the budget augmentation went mainly to functional departments, and these climate specialists were expected to participate in a range of activities—development of analytical tools and policy analysis, multilateral surveillance, capacity development activities, contributing to outreach—in addition to supporting country teams. In their view, while support for larger country cases was generally adequate, that for smaller countries had been often insufficient.

- *Bilateral surveillance, policy tools, models and databases.* Surveillance activities increased sharply and exceeded targets set under the augmentation framework. In FY2024 in particular, 22 Article IVs featured climate "deep dives" (vs. a target of 15–20), and 7 FSAPs covered climate risks (vs. a target of 4).[7] Additionally, climate issues were covered under many other Article IVs (Voltz and Wojnilower 2026). In the case of APD's large overrun in FY2023, spending on climate was exceptionally high in that year due to a number of analytical projects in the context of surveillance, in-house training and work on multiple departmental papers covering climate issues. In the initial years, the development of policy tools, models and databases to assist in climate analysis and identification of appropriate reform measures, and support Article IVs and FSAPs, demanded substantial effort. Interviews suggest that greater than expected work in these areas led to the initial overruns in RES and STA.

- *For ICD an ambitious work program to develop its practice on climate issues, with the expectation that it would moderate over time.* The spending reflects the development of analytical tools and training material for two new external courses ("Macroeconomics of Climate Change" and "Climate in Macroeconomic Frameworks"), a new course on incorporating climate in macro frameworks, multiple deliveries of these courses and other peer-learning activities across RCDCs, and incorporation of natural disasters in ICD TA practice on macroframeworks. With recorded overtime remaining at its previous levels, ICD appears to have accommodated this work by temporarily reprioritizing from other planned activities.

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[6] Data provided by OBP.

[7] See IMF (2024a).

- *There was a rise in climate related publications (working papers, Selected Issues Papers, Staff Discussion Notes), events and outreach.* Both area and functional departments expressed concern about the resources devoted to publications, which led to pressures on already-stretched climate resources. Some interviewees in area departments felt that functional counterparts prioritized research and policy papers at the expense of direct support to country teams. Conversely, functional departments noted that research and policy papers were needed inputs to build capacity in the Fund.

22. **The Fund's expanding climate work initially raised concerns about potential trade-offs, including impacts on its traditional activities and the risk of crowding out other priorities.** And these concerns were not fully eliminated with approval of the budget augmentation. As the increase in actual spending on climate exceeded the additional budget provided, and there was not a corresponding increase in overtime, some resources were reallocated from other activities. In fact, in FY2023–24, the excess spending on climate work in operational departments (excluding support departments) was not insignificant, amounting to an average of 2.0 percentage points of their combined Fund-financed spending budgets in FY2023 and 2.1 percentage points of budget in FY2024.[8] And by this measure, excesses were particularly large for AFR, APD, ICD, RES, SPR, and STA. That said, the overall excess came down to just 0.8 percentage points in FY2025, though those for AFR and STA remained higher relative to the working budgets for their department.

23. **Evidence suggests that climate-related work did not unduly crowd out other areas of IMF responsibility, although there were differences between the authorities' and staff's views, and across activities.** Responses to an IEO survey reveal that a large majority of authorities considered that crowding out did not occur at all, or did so only to a slight extent, across surveillance and CD (Annex I). Staff responses were more mixed. While similar to authorities they perceived that the crowding out effect was small for CD for surveillance responses varied across outputs: the highest perception of crowding out was in Article IV consultations—where only 44 percent of respondents opined that it was non-existent or slight, 28 percent thought that it was moderate, and 27 percent that it happened to a great extent—with substantially lower perceptions of crowding out for flagship reports, FSAPs, and analytical work. Interviews are useful to nuance these results. In general, country authorities attached high priority to climate-related issues, perceiving their integration into the Fund's work as a necessary rebalancing of priorities. In contrast, for Fund staff, in a context defined by constrained resources, a limited length of reports, and multiple competing priorities, the opportunity cost of an increase in the attention paid to climate-related issues was felt strongly, especially in the early implementation stages of the new approach, among CD providers, and in country teams working on RSF arrangements.

[8] The excess spending in operational departments relation to the total of working budgets in those departments as shown in Annex IV, Table 7, FY2025 Budget Outturn paper (IMF 2025).

24. **In interviews, most staff noted that the quality of the IMF's work was not significantly compromised by the integration of climate-related issues, emphasizing also that climate change is a macrocritical issue deserving of appropriate attention.** Despite work pressures, most interviewees considered that the reallocation of resources associated with the incorporation of climate considerations was modest and temporary and did not affect significantly the quality of the work in other areas. Over time, as seen above, pressures have eased overall across the institution, and there appears to have been better integration of climate considerations into the Fund's broader work, leading to fewer concerns about displacement of other priorities. Nevertheless, pockets of stress no doubt remain, notably in AFR.

25. **Area department staff suggest that CD departments initially struggled to meet competing demands but are now able to better balance them and provide adequate support to area departments.** Country support is based on agreements reached with area departments on levels to be provided. A committee coordinated by SPR was established in FY2024 to set priority countries for climate work on a Fund-wide basis. During interviews, functional department staff note compliance with these priorities established in conjunction with SPR, following an initial period when unexpected demands for country support that were not well-planned or anticipated in advance by area department teams led to considerable tensions and work pressures. All this said, some staff in regional TA centers (RTACs) are of the view that the Fund cannot meet the expectations it itself has generated in the field for CD delivery (as well as financial support under the RSF).

26. **A significant source of work pressures relates to the need to prepare and review documentation and provide inputs for a range of climate-related outreach activities.** While some interviewees highlighted that climate-related outreach, such as speeches and participation in high-level events, placed additional demands on country teams that could otherwise be devoted to traditional work, this was also viewed as part of broader institutional engagement rather than a climate-specific burden and also as a way for the Fund to better find its place in the global financial climate architecture.

27. **As envisaged under its climate strategy, the Fund has leveraged external partnerships to supplement internal expertise, particularly in the context of RSF operations where sectoral expertise is needed.** Knowledge sharing activities have been expansive and generally constructive, supported by efforts to foster mutual understanding of institutional mandates and operational modalities. Staff views collaboration with the Inter-American Development Bank (IDB) as having been particularly useful in WHD countries mainly in the context of supporting the RSF reform measures. Cooperation with the Asian Development Bank (ADB) was also positive, though work and feedback has been more limited. Engagement with the World Bank, the most common partner, was generally positive, though some interviewees noted challenges in aligning operational approaches, particularly in the initial period of establishment of the RST/RSF, particularly for staff in functional non-TA departments. In addition to RSF collaboration, the Fund has drawn on the comparative strengths of external partners to support

its work (particularly in the context of its research and data needs and to a small extent joint analytical work and joint missions). That said, 88 percent of staff indicate that most staff felt engagement with external partners overall was at least somewhat well managed.[9] It was also highlighted that while external partnerships can enhance the Fund's reach and technical depth, they do not necessarily reduce the internal workload. Coordination with external actors often requires significant time and effort, particularly in explaining the Fund's processes and ensuring consistency in advice. These experiences underscore the importance of clarifying the respective roles of the Fund and its partners, particularly in delineating the boundaries of the Fund's climate mandate.

HR: Building and Managing the Fund's Climate Expertise

28. **The Fund adopted a strategic approach to climate staffing by concentrating expertise in functional departments.** Between FY2023 to FY2025, there were 52 climate-related hires[10] as part of the budget augmentation, representing three-fourths of the additional hires envisaged under the augmentation framework (Figure 2). The remaining staff resources would come from the Fund's existing pool or normal intake of economists and technical experts who would be trained to participate in various aspects of climate-related work. Roughly 85 percent of the new climate-related hires were placed in functional departments. This model was designed to ensure that climate-related work had a strong technical foundation, with functional departments serving as hubs for developing analytical tools, policy frameworks, and guidance. Functional TA departments (mainly FAD and MCM) were prioritized for these hires, accounting for over half of all climate hires.

29. **Area departments received a smaller share of climate-related hires, with a view to focusing their role on adapting centralized expertise to country-level contexts.** AFR, EUR, MCD, and WHD hired a total of eight climate-related hires, while APD did not hire any. Initially, these experts were expected to act as liaisons between country teams and the functional hubs, helping to adapt general models and tools to local contexts and to ensure that climate considerations were integrated into surveillance and following the program design phase of the RSF. Their presence was also intended to coordinate advice and analysis and to develop regional expertise on climate.

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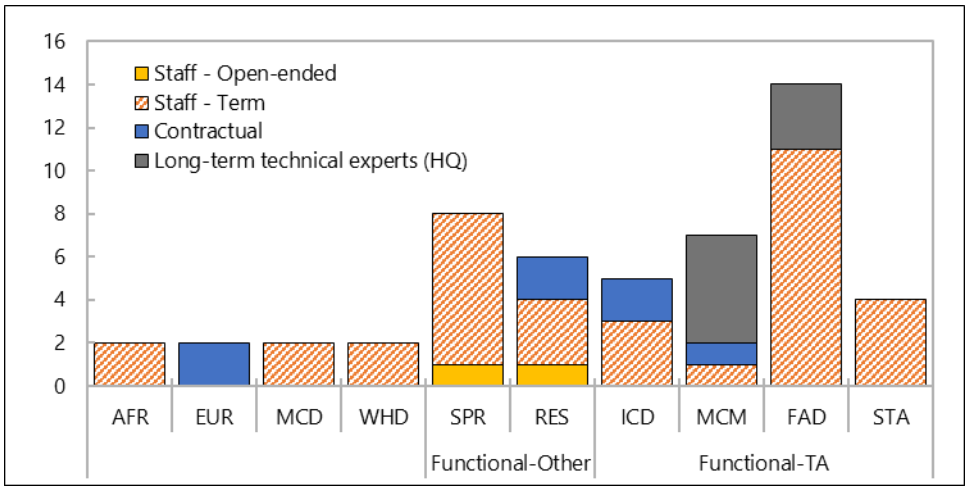
[9] IEO Staff survey for the evaluation of The IMF and Climate Change (2025). Survey results refer to Question 32 which asked based on overall assessment of the IMF's engagement on climate during the evaluation period (2021–25) what extent "has the IMF's collaboration with eternal partner organizations on climate change-related issues been well managed?". The results and calculation include all respondents except for those who selected "don't know/Not Applicable" (22 percent of respondents).

[10] This number includes 37 FTEs, mainly on three-year term contracts, 7 short-term contractual hires, and 8 long-term contractual technical experts.

Figure 2. Climate Hires Under the FY2023–25 Budget Augmentation
(Number of hires)



Sources: HRD; IEO staff calculations.
Note: Climate hires were hired between FY2022 to FY2025. APD, COM, FIN, and LEG did not have any climate-related hires.

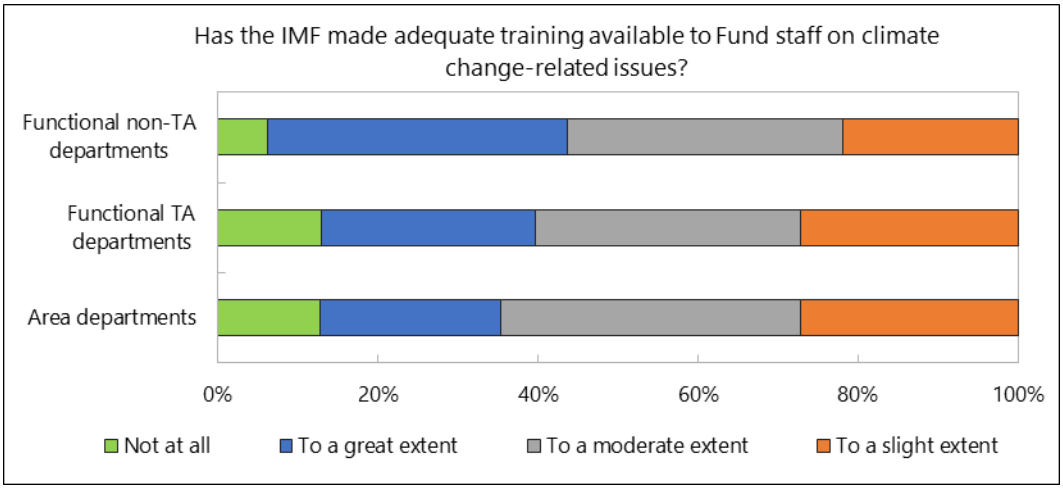
30. **The distribution of climate hires was designed to maximize effectiveness and policy coherence through the establishment of hubs of subject matter expertise in relevant functional departments.** However, this design did not come without its issues. As already discussed, functional departments found it challenging to meet all the demands of the country teams, especially in the first year of the budget augmentation and with the addition of the RST. In turn, area departments noted that access was sometimes limited to high profile countries in the case of surveillance, and often to discussions at the outset of programs in the case of RSF cases, with less participation in subsequent program reviews.

31. **Climate-related hires at the IMF are viewed with high regard and adequate skills, although their operational integration was not seamless.** IMF staff recognize their strong contributions though it was noted in interviews that integration into the Fund's culture and operations has involved a natural learning curve. Functional departments regard the climate-related hires as highly skilled and valuable despite the time required for onboarding. Area departments also appreciate their contributions, but report more limited access to these experts, particularly beyond initial program design phases or in lower-profile country cases. Experts embedded in area departments face competing demands, including country work, reviewing analytical outputs, and supporting RSF-related activities, which limits their ability to provide tailored input. In addition, some observed that models developed by functional departments are often too general and require adaptation for small or vulnerable economies.

32. **To complement external hiring, the Fund has invested in internal training to build climate expertise among staff.** The flagship "Climate Change 101" course, jointly launched by ICD and functional departments, has provided a broad overview of climate issues and reached

1395 economists and specialists as of the end of 2025.[11] Additional learning opportunities have been offered through the Community of Practice for Climate Models and Macro Frameworks and technical workshops offered by ICD, many times in collaboration with functional departments. While these efforts are commendable, with 81 percent of staff in area and functional departments feeling adequate training has been made available to some extent, questions remain about the depth and sufficiency of the courses (Figure 3). Interviews with staff from both functional and area departments suggest that generalist (macro) economists still lack depth on climate issues, particularly when relating to specific sectors in the design and implementation phases of the RSF, relying on support from climate-related hires or external partners to implement reform measures.

Figure 3. Staff Perception of Internal Climate Training



Source: IEO 2025 staff survey.
Note: Functional non-TA departments include COM, FIN, RES, and SPR; functional TA departments include FAD, ICD, LEG, MCM, and STA; and Area departments include AFR, APD, EUR, MCD, and WHD.

33. **As the Fund moves forward with its work on climate, questions arise as to how best to manage the career paths of climate-related hires.** One issue relates to establishing rewarding career paths for the experts in terms of job satisfaction and responsibility, promotion, and mobility as needed or desired. For the new climate-related hires brought in as fungible macroeconomists—about one-quarter of the total climate hires and primarily in area departments—this may not be a significant problem, as their careers could be managed akin to other macroeconomist hires. For the specialist climate hires, they would likely encounter similar issues surrounding promotion and mobility that have historically been faced by other specialist career streams.[12]

[11] This includes 1,125 economists, which include both fungible and specialized economists, and 270 in the specialized career stream that have completed at least one module of the course.

[12] The general lack of mobility opportunities in a low growth institution increases the challenge for specialized career stream staff.

34. **Interviews to date indicate that most climate-related hires at the Fund are highly skilled with valuable expertise and fungibility.** Climate-related hires have been mainly hired on fixed-term contracts.[13] Aside from the normal assessment of the expert's performance, the main factors to consider relate to normal workforce planning considerations: i.e. the prospective demand for the IMF's climate work and the extent to which the expert has a fungible-enough skill set to contribute to more broadly in the Fund. Even if institutional priorities were to change, supervisors and colleagues interviewed feel that most of the climate-related hires would be able to transition to other roles within the Fund, particularly within functional departments such as FAD, MCM and RES. As of mid-2025, only a small proportion of the experts' contracts have come to the end of their term. Of those, most have been converted to open-ended or extended. Several contracts have been allowed to expire.

V. STRUCTURE AND ORGANIZATION

35. **The first year of the budget augmentation was characterized by a learning-by-doing environment, especially with the approval of the RST with its unanticipated demands and new work requirements.** Not only did staff in both functional and area departments face challenges in responding to rapid pace and volume of work, but the nature of the work required innovation and adopting new tools and analytic frameworks, often in a very limited time frame. Country team requests, often receiving limited notice to join missions or to contribute to the RST design. Climate work also required leaning on specific technical and policy expertise of external partners, such as the IDB, World Bank and the OECD.

36. **To facilitate improved coordination between departments and to address potential risks, SPR assumed a central role in prioritizing and guiding the Funds climate work.** Interviews across both area and functional departments suggested that this coordination enhanced efficiency and helped align activities with institutional priorities and palliate risks (Box 1). Eighty-four percent of IMF staff believe the organization's internal structure effectively supports climate initiatives. SPRs involvement included:

- With much greater interest in RSF program engagement from member countries, SPR guided an interdepartmental process to set priorities amongst countries including for coverage in bilateral surveillance. Functional departments reported general adherence to the country priorities that were established, and tensions that had arisen in the initial period from unanticipated or late requests for functional department support by area departments had diminished considerably.

- SPR has developed and reviewed Fund-wide policies and practices. A specific Climate Policy Division was created in 2023 to handle such responsibilities, with senior managers across the department also contributing to such efforts. In late 2025, this division was

[13] Fixed-term contracts typically start with a three-year term, renewable once for up to three additional years which may or may not be converted to an open-ended contract (permanent and ongoing with no end date).

merged into a new "Macro-financial and Structural Policies Division," where the climate work responsibilities would be handled together with similar work on other macrostructural issues. The internal reorganization aimed to achieve resource efficiencies as the work on climate becoming increasingly integrated in country operations and tasks related to the development of tools and Fund-wide policies and procedures diminished. It also sought to establish a unit that would be tasked to think about how the institution could best deal with new topics and issues as they became more important or relevant to the global economy and international financial system.

37. **The expansion of the Fund's work on climate led to potential enterprise risks in a number of areas: financial, business, operational, reputational and strategic risks.** Many of these risks were discussed and considered by the institution, and mitigation measures proposed, throughout the development and establishment of the RST and climate strategy, budget discussions, and the development of governance structures (Box 1).

38. **Institutional arrangements were also established to facilitate collaboration with external stakeholders.** Memoranda of understanding were signed with the World Bank and a Terms of Reference with the IDB to formalize cooperation and attempt to avoid duplication. While these arrangements were operationally useful—particularly in the context of RSF implementation—some staff viewed the process as overly bureaucratic and cumbersome. Others noted that notwithstanding these arrangements, like in previous Fund initiatives, the quality of collaboration with partners depends on the personalities of counterparts and their willingness to engage cooperatively. Indeed, the launch of the RST appeared to strain the Fund's relationship with the World Bank in some cases. While longstanding collaboration with FAD—such as through the C-PIMA framework—remained constructive, other parts of the Bank may have perceived the Fund's role in climate lending and surveillance as overlapping with their mandate.

39. **A desire for a clear approach to disseminating research and setting priorities for climate-related publications emerged as the Fund's climate initiatives expanded.** On outreach and publications, both area and functional departments expressed concerns about the proliferation of analytical work—both for external publication and internal use—and the lack of clear priority-setting. Interviews suggest that area departments felt that functional departments were overly focused on research and policy papers rather than supporting operational work. Conversely, functional departments noted that significant resources were required to review and ensure the quality of analytical work produced by area departments, particularly when intended for external publication. Several interviewees highlighted that much of the work reflected the desire of staff to gain visibility and strengthen career prospects by producing analytical work or publishing in an area a priority for management. As for the authorities, results of a survey conducted for this evaluation indicate that they especially value the Fund's climate-related contributions in bilateral surveillance, research and analytical work, and in Flagship publications.

Box 1. Enterprise Risks

Climate-related activities led to the perception of financial pressures beyond the budgeted augmentation, raising questions as to whether climate work would displace financial resources available for the Fund's traditional areas. From the perspective of the finances of the institution as a whole, any such risk was manageable. The excess spending was modest in relation to the overall budget and pressures have receded. With high membership demand for access to the Resilience and Sustainability Facility (RSF) and for technical assistance from the Fund on climate related issues, risks also arose regarding the adequacy and fungibility of climate-related lending and capacity development resources. So far, resources have sufficed.

Business risks may have stemmed from the operational intensity of climate work, which could have affected other activities via crowding out. Such risks were more apparent with the introduction of the RSF in the first year of the budget augmentation. The IEO found evidence of little crowding out and resource pressures have eased with improved planning, including through the formation of the interdepartmental committee with SPR acting as a coordinator for the Fund's climate work, and a decline in initial set-up and learning activities which have mitigated these risks

Operational risks arose from the internal pressures related to the scaling up of climate work across people, processes, and partnerships. As climate-related activities expanded, particularly with the launch of the RST, staff across functional and area departments experienced workload pressures. Human capital risks emerged in the form of uneven workload distribution, and challenges integrating climate-related hires into Fund operations. Resource constraints were particularly acute in the early stages: area departments faced large demands from member countries with limited expertise; functional departments needed to develop tools and analytical frameworks which had been nascent at best; CD departments were often given insufficient notice to support missions; and unclear prioritization led to duplication of effort and inefficiencies. These strains were concentrated in certain departments, and often during periods of intense outreach and documentation demands.

Process and third-party risks appear to have complicated the delivery of climate-related work. In the face of unanticipated resource and work pressures, internal governance processes—particularly coordination between area and functional departments—were initially weak, though they improved with the establishment of the SPR-led committee. In parallel, reliance on multilateral development banks (MDBs) for RSF design and implementation introduced third-party risks. These included coordination challenges, reputational exposure, and the potential for diverging or overlapping advice.

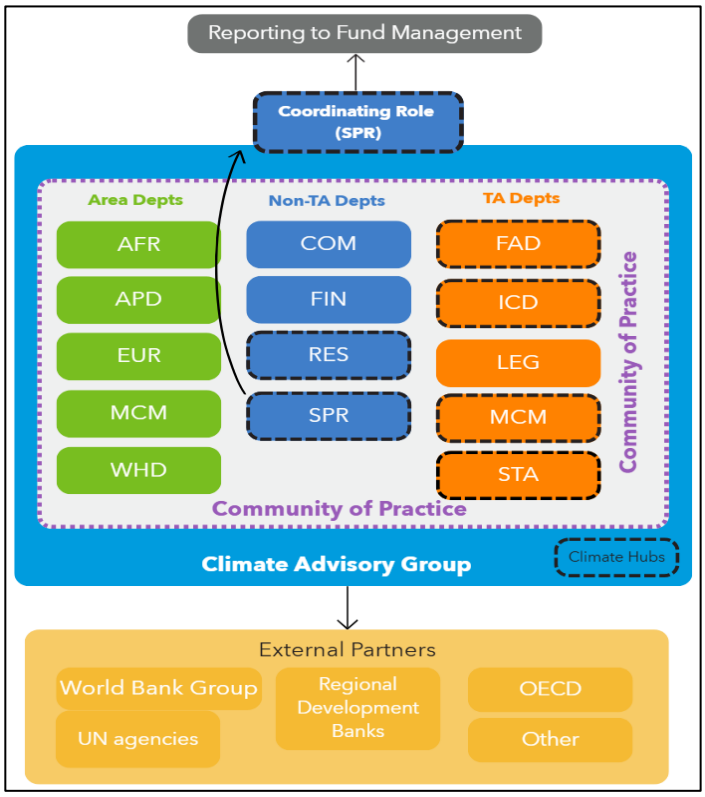
Perceptions of insufficient representation and evenhandedness have permeated the Fund's climate engagement, creating a reputational risk. An IEO survey of views of authorities indicates that, overall, there has been and continues to be strong support for Fund involvement on climate change issues, with about half of respondents considering the level of engagement under the strategy should be maintained and a third wanting the Fund to do more. Nevertheless, IEO survey results observed concerns around the balance between mitigation and adaptation efforts—particularly in relation to large emitters versus climate-vulnerable countries. No evidence of lack of evenhandedness was found so far, but these perceptions, that affect also other areas of Fund work, could, in the long run, impact member buy-in and the legitimacy of Fund advice.

The tension between the Fund's actual involvement in climate-related issues and stakeholders' expectations is an ongoing potential source of strategic and reputational risk. The Fund has faced a dual strategic challenge. On the one hand, perceived inaction or a lack of visible progress in climate work would have damaged the Fund's credibility, particularly given high expectations from many members and the broader international community. On the other hand, perceived overreach beyond the level of expertise or "mission creep" have raised questions about the Fund's comparative advantage and traditional core mandate. Either excess or lack of involvement could lead to membership disengagement and damage the Fund's reputation. While evidence points to a relatively good overall alignment over the past few years, this tension will depend on the evolution of the political support for climate change action by the Fund and the institution's capacity to respond.

Source: IEO.

40. **Knowledge sharing climate work at the IMF has evolved from informal efforts to a more institutionalized structure.** Prior to the Climate Strategy, several early initiatives on climate started on a very ad hoc and informal basis through the creation of several working groups as well as intra- and inter-departmental collaboration. Over time, the process gradually became more organized as the Fund defined its climate role. Early efforts arose based on the development of the Climate Dashboard in 2020, led by a Climate Data Dashboard Working Group in 2020 (Gallagher, Rustomjee, and Arevalo 2024), which laid the groundwork for broader engagement in Climate and ad hoc events held in the IMF's Innovation lab. This was followed by the Innovation Challenge program which further supported climate experimentation, producing tools such as PortWatch and the IMF's Climate Indicators Dashboard[14] and a B-level Advisory Group and Climate Steering Committee forming. Over time, these initiatives coalesced into a more formal Community of Practice[15] and the formation of Climate Hubs in departments (FAD, ICD, MCM, RES, SPR and STA) which supported structured training, internal knowledge-sharing, and product development (Figure 4).

Figure 4. Structure of Climate Work Within the IMF



Source: IEO.

[14] See https://portwatch.imf.org/ and https://climatedata.imf.org/.

[15] The Community of Practice for Climate Models and Macro Frameworks was set up by ICD and SPR to foster the exchange of ideas, dissemination of approaches and experience in integrating climate considerations into macro frameworks. It was launched in 2023 as a mechanism to discuss new ways of working in CD and open to all Fund employees.

VI. Findings and Conclusions

41. **The rapid expansion of climate initiatives brought operational challenges and trade-offs for the Fund.** Initial implementation of the Climate Strategy created workload pressures, overtime, and concerns about crowding out of traditional core IMF areas. Unanticipated demands associated with the RSF, delivery of surveillance outputs greater than target, and the need to quickly develop tools and analytical frameworks in the face of limited expertise and experience all led to considerable pressures in a number of departments, albeit temporary in some cases. In addition, an increase of publications (Selected Issues Papers, working papers), led to complaints from both area and functional departments about review burdens and unclear prioritization. Staff also noted the heavy workload associated with preparing materials for senior management outreach activities. These pressures have generally eased over time, but pockets of stress remain, and highlight the need for better planning and prioritization.

42. **Though resources devoted to climate work were greater than anticipated the overall effect on Fund-wide operations was not substantial**. Climate work exceeded the allocated budget, by almost one half in FY2023–24, due importantly to RSF-related needs not fully accounted for in the original augmentation. When scaled against the overall IMF budget, the overspending was modest, suggesting limited impact on operations overall. For several departments, however, the impact was significant. While the excess in spending declined substantially in FY2025, it remains an issue for AFR.

43. **The Managing Director's recently announced plan to take a host of measures to streamline the institution's outputs and business process recognizes the tensions associated with rising demands on the IMF in the context of a constrained budget.** The plan recognizes that the staff time devoted to work on climate (as well as other non-traditional topics) has exceeded budgeted levels, owing to the strong uptake of RSF programs as well as analytical coverage of climate in a higher-than-expected number of bilateral surveillance cases. It proposes more flexibility in determining the scope of coverage of issues in Article IV surveillance as well as the extent of analytical work being produced. In that vein, and with topics such as climate increasingly mainstreamed in country work, management expects them to be covered much more selectively in country work. The proposed package of measures, some of which need to be endorsed by the Executive Board, are a positive step towards alleviated tensions and pressures noted in this study.

44. **The allocation of climate-related hires between functional and area departments, with SPR playing a coordinating role, appears appropriately balanced**. Most climate hires were concentrated within functional departments, accounting for 85 per cent of hires, while area departments had few climate-related hires. SPR assumed a central role in leading Fund-wide coordination. Mission chiefs generally appreciated support during RSF design and initial program launch, citing improved guidance and analytical rigor. However, some noted reduced engagement in follow-up phases, leading to concerns about sustainability and continuity of expert support. The Fund has progressively strengthened institutional coordination in support of

its climate work, with SPR centralizing oversight and harmonizing priorities. Expanded committee structures and increased cross-departmental collaboration have enabled more effective responses to rising demands while clarifying accountabilities.

45. **Collaboration with external organizations, such as the IDB, World Bank and the ADB have enabled the Fund to leverage regional expertise and facilitate program implementation, though these partnerships do not come without certain challenges.** Joint TA missions and knowledge-sharing platforms proved especially valuable in aligning policy objectives and avoiding duplication of efforts. However, engagement with the World Bank presented some challenges, often due to overlapping work, differing institutional priorities, and occasional lack of clarity regarding roles and responsibilities. In certain instances, coordination gaps led to delayed project rollouts or inconsistent messaging to country authorities, underscoring the need for strengthened frameworks for communication and collaboration at both the headquarters and country levels. Moving forward, clearly delineating responsibilities and fostering mutual understanding among key external partners will be critical to ensuring the Fund's climate engagement remains impactful and credible.

46. **The Integration of climate expertise into Fund operations required a learning curve.** While most climate-related hires were seen as highly skilled and brought valued analytical rigor, and assimilation within the Fund's culture and operations was not seamless. Most experts are considered fungible and can be retained by functional departments, though this may require managing expectations of career progression. Internal training has been helpful but still required staff to rely on climate-related hires for detailed analysis and formulation of policy options and reform measures. Going forward, maintaining climate expertise across departments and clarifying roles will help the Fund address climate-related needs while continuing to support its main objectives. The Fund should leverage its flexible employment framework to manage future staffing needs.

47. **The Fund must continue to consider risk exposure and the political landscape.** The Fund naturally faces a number of financial, operational, and reputational risks from its climate work, including concerns about resource adequacy, expertise, and impact on other work responsibilities. Business and reputational risks are heightened by the Fund's evolving role, with challenges arising from both perceived inaction and excessive reach. Over-reliance on multilateral development banks for RSF design may diminish Fund ownership, while questions persist over the balance between mitigation and adaptation efforts, particularly as they relate to large emitters versus climate-vulnerable countries. These challenges highlight the importance of maintaining clear strategies, clear focus on areas of expertise, effective coordination, and regular communication with the Executive Board.

ANNEX I. IEO SURVEYS EVIDENCE ON CROWDING-OUT

Figure AI.1. Climate-Related Surveillance Crowded Out Other Areas of Work in Article IVs

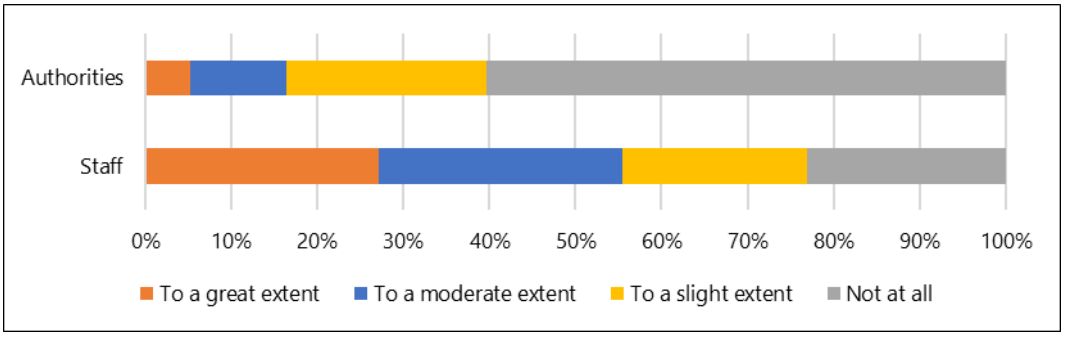


Figure AI.2. Climate-Related Surveillance Crowded Out Other Areas of Work in FSAPs

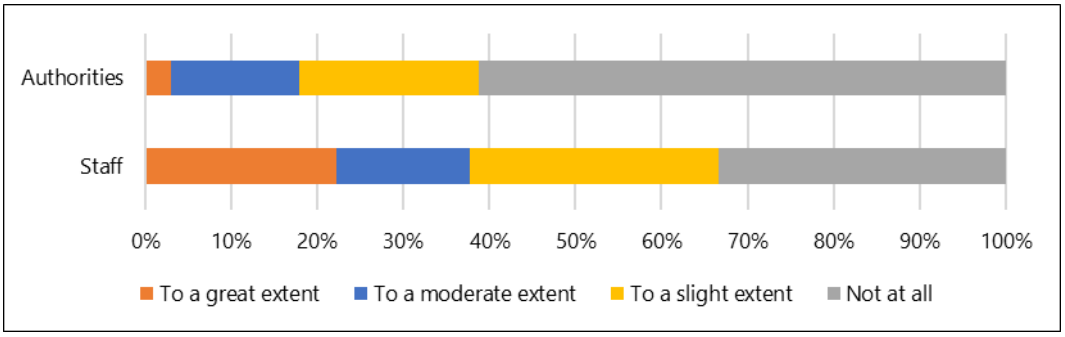


Figure AI.3. Climate-Related Surveillance Crowded Out Other Areas of Work in Flagship Reports

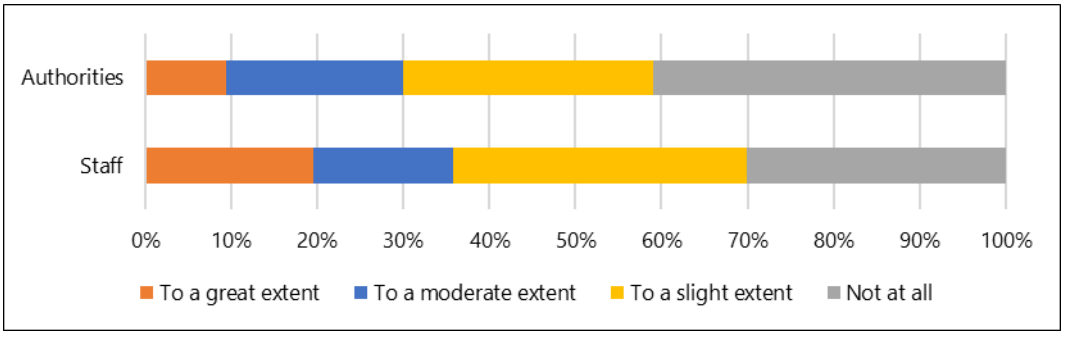


Figure AI.4. Climate-Related Surveillance Crowded Out Other Areas of Work in Analytical Work

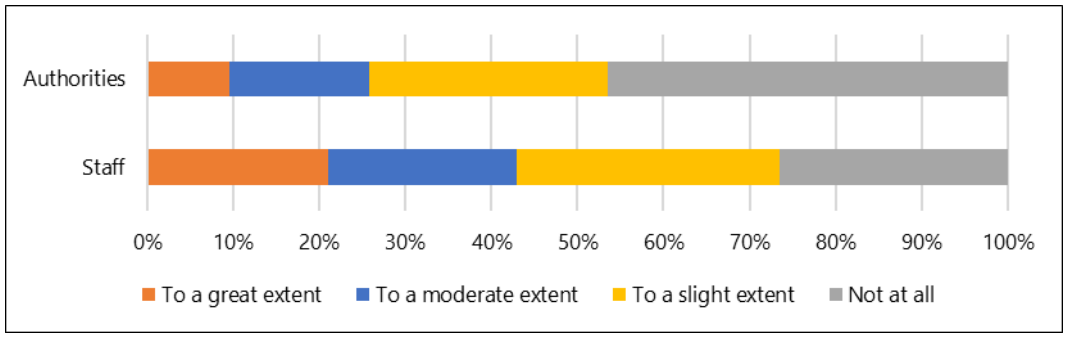


Figure AI.5. Crowding Out Due to Climate-Related TA

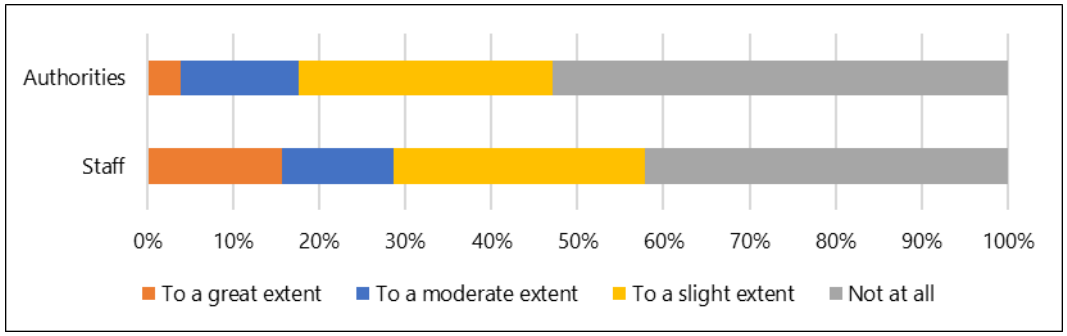
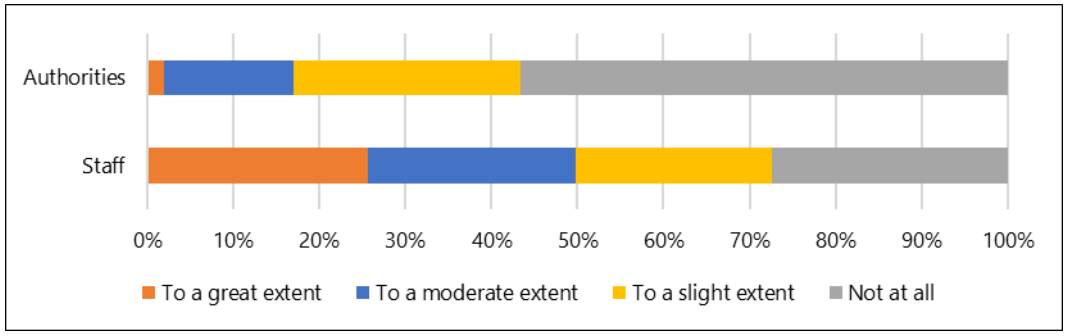


Figure AI.6. Crowding Out Due to Climate-Related Training



Source: IEO 2025 surveys.
Note: For authorities, the question read "Based on your country's experience, to what extent has IMF climate change-related ____ crowded out _____?" For staff, the question read "Based on your experience, to what extent has IMF climate change-related_____ crowded out _____on other policy areas."

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