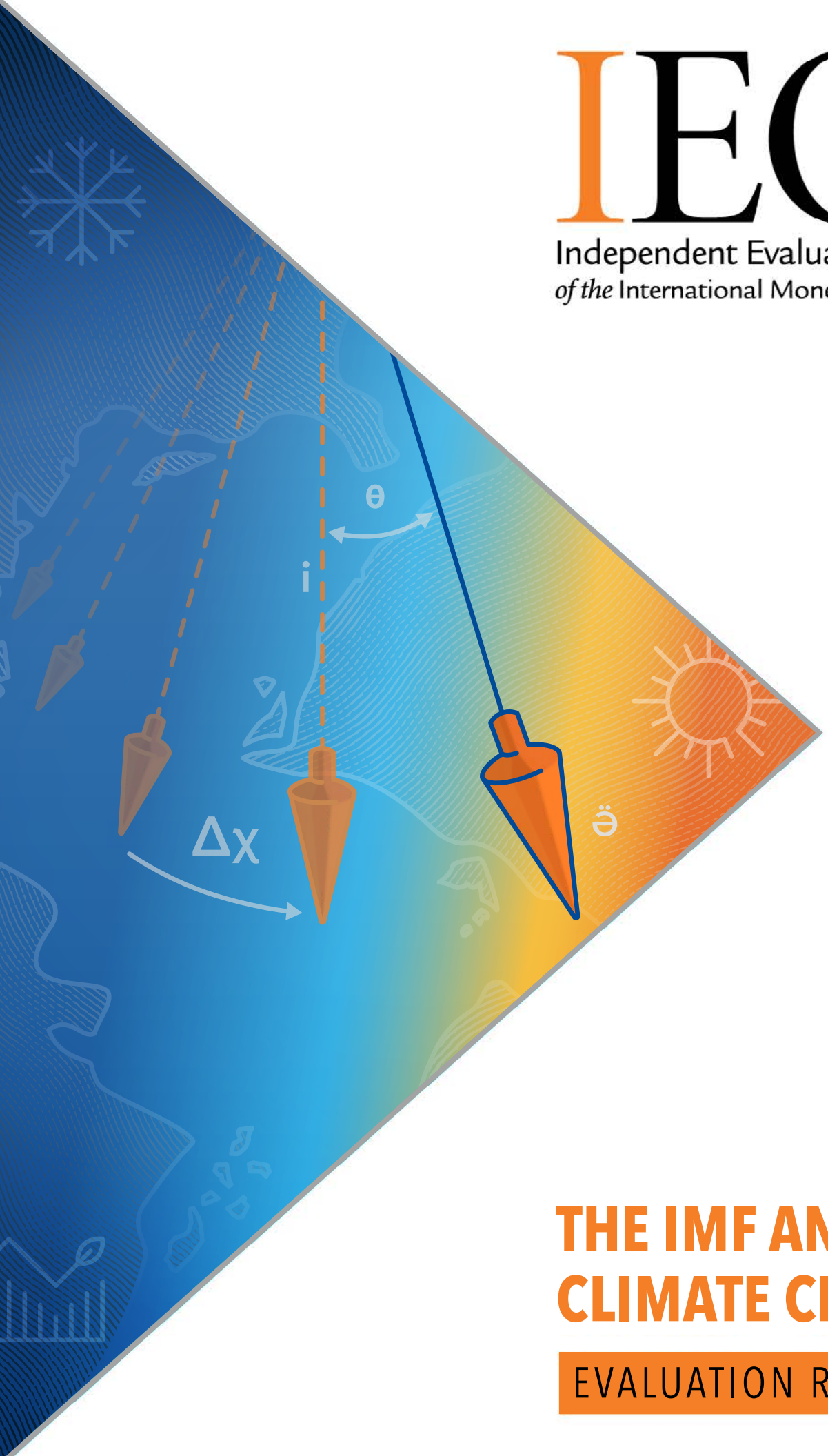


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Independent Evaluation Office
of the International Monetary Fund

THE IMF AND CLIMATE CHANGE

EVALUATION REPORT **2026**

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CATALOGING-IN-PUBLICATION DATA
IMF LIBRARY
Names: International Monetary Fund. Independent Evaluation Office, author. | International Monetary Fund, publisher.
Title: The IMF and climate change : evaluation report 2026 / Independent Evaluation Office of the International Monetary Fund.
Other titles: The International Monetary Fund and climate change. | Evaluation report 2026. | International Monetary Fund. Independent Evaluation Office. | IEO.
Description: Washington, DC : International Monetary Fund, 2026. | Jun. 2026. | Includes bibliographical references.
Identifiers: ISBN:
9798229045407 (paper)
9798229045629 (ePub)
9798229045469 (webPDF)
Subjects: LCSH: International Monetary Fund—Evaluation. | Climate change.
Classification: LCC HG3881.5.I58 2026

Publication orders may be placed online, by fax, or through the mail:
International Monetary Fund, Publication Services
Tel: +(1) 202.623.7430 | Fax: +(1) 202.623.7201
E-mail: publications@IMF.org
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BP/26-01/01. Climate Change in IMF Surveillance
BP/26-01/02. Climate Change in IMF Lending
BP/26-01/03. Climate Change in IMF Capacity Development
BP/26-01/04. The IMF's Climate Change Work: Institutional Issues
BP/26-01/05. The IMF's Role in the Global Architecture for Combating Climate Change

The following conventions are used in this publication:

- An en dash (–) between years or months (e.g., 2025–2026 or January–June) indicates the years or months covered, including the beginning and ending years or months.
- The abbreviation FY (e.g., FY2024 or FY25) or a slash (/) between years (e.g., 2025/26) indicates a fiscal or financial year.
- "Billion" means a thousand million.

FOREWORD

The IMF adopted a more structured and ambitious approach to its climate-related work, starting in 2021. It did so by approving its Climate Strategy in 2021 to guide surveillance and capacity development (CD) and by establishing the Resilience and Sustainability Trust (RST) and related Facility (RSF) in 2022 to support long-term structural challenges, including climate change. Building on previously more fragmented efforts, this approach has strengthened and systematized the integration of climate considerations into the Fund's operations. The Fund anchored this work in its mandate, recognizing the existential challenge of climate change and its macrocritical implications for external and domestic stability.

This evaluation examines the first four years of implementation under the new approach. It finds that the Fund's climate-related work has been demand driven, effectively incorporated across surveillance, lending, and CD, and integrated into the Fund's traditional core policy areas—mainly through fiscal policy advice—and it has delivered meaningful value added to member countries. Although a relatively late entrant, the Fund has also established a place within the global climate architecture by drawing on its macroeconomic expertise, analytical strengths and global reach.

At the same time, the integration of climate-related work has required a process of institutional learning and adaptation. Initial challenges—including spending exceeding initial budget allocations, a proliferation of activities, and increased workload pressures—reflected both the novelty and the scale of the undertaking. In addition, the lack of clarity in communication around the Fund's role contributed to elevated expectations and affected internal incentives. These issues, however, were largely addressed by mid-2025.

Over the evaluation period, there has been some weakening in support among the membership, alongside a moderation in institutional prioritization and signaling around the Fund's climate-related work. This could lead to a retrenchment, potentially affecting the capacity and delivery of high-demand, value-adding services amid rising climate-related macroeconomic risks. Going forward, consolidating the gains of the Fund's work on climate issues will require sustained institutional support.

Within a broadly effective integration of climate considerations into the Fund's activities, the evaluation proposes a number of operational recommendations. These include strengthening the operationalization of macrocriticality and better tailoring of policy advice in surveillance; revisiting elements of the RSF and exploring the role of the broader lending framework in supporting members' climate-related needs; and enhancing follow-up in CD while improving its alignment with surveillance and lending.

I welcome the positive responses of the Managing Director and Executive Directors to this evaluation and their support for its recommendations. I look forward to their implementation as a means to further strengthen the Fund's work on climate.

PABLO MORENO
Director, Independent Evaluation Office

CONTRIBUTORS

This report was prepared by an IEO team led by Miguel de Las Casas and including Andrea Arevalo Arroyo, Kelsie Gentle, Carmen Rollins, and Joshua Wojnilower.

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The team is grateful to Arun Bhatnagar, Vionie Canas, and Amy Gamulo for administrative and editorial support and to Marina Primorac for editing the report.

The evaluation benefited from discussions and interviews with current and former IMF Executive Directors, management, and staff, as well as member country officials and experts from academia, civil society organizations, and think tanks. The final judgments are the responsibility of the IEO alone.

The report was approved by Pablo Moreno.

ABBREVIATIONS

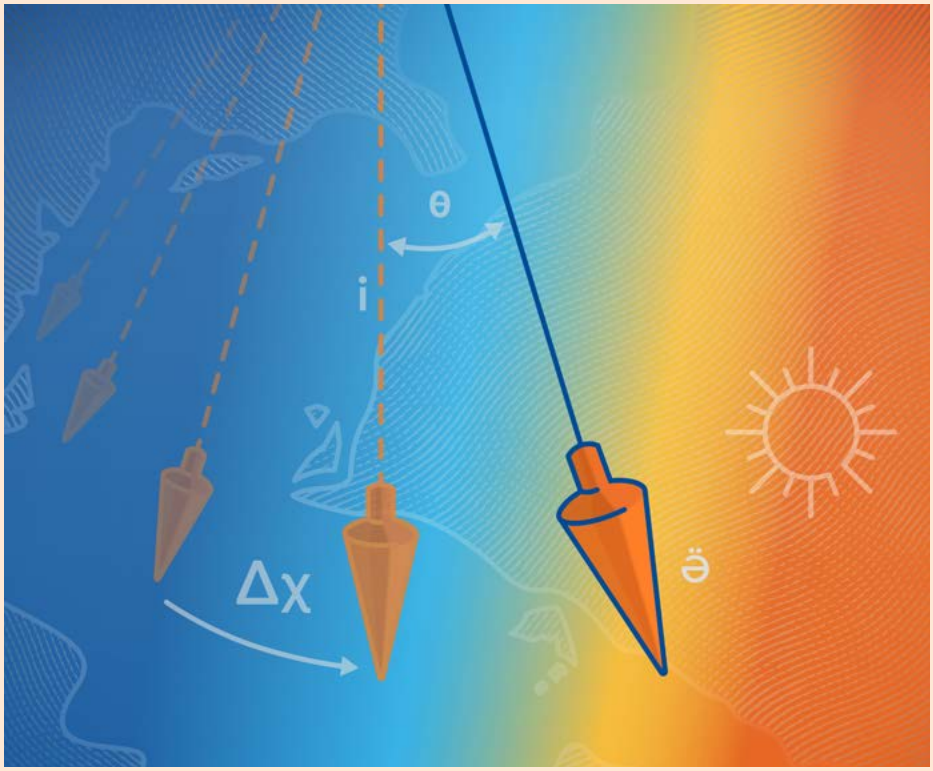
BOP	balance of payments
CCDR	Country Climate and Development Report (World Bank)
CD	capacity development
CMAP	Climate Macroeconomic Assessment Program
C-PIMA	Climate-Public Investment Management Assessment
CSO	civil society organization
CSR	Comprehensive Surveillance Review
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EFF	Extended Financing Facility
FAD	Fiscal Affairs Department (IMF)
FSAP	Financial Sector Assessment Program
FTE	full-time equivalent
GCA	Global Climate Architecture
ICD	Institute for Capacity Development (IMF)
IFI	International Financial Institution
IMS	International Monetary System
ISD	Integrated Surveillance Decision
MCM	Monetary and Capital Markets Department (IMF)
MD	Managing Director
MDB	multilateral development bank
NDC	Nationally Determined Contribution
ND-GAIN	Notre Dame Global Adaptation Initiative
OGN	Operational Guidance Note
PFA	Post-Financing Assessment
PFM	Public Financial Management
PRGT	Poverty Reduction and Growth Trust
RCF	Rapid Credit Facility
REO	Regional Economic Outlook
RES	Research Department (IMF)
RFI	Rapid Financing Instrument
RM	reform measure
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust
SBA	Stand-By Arrangement

SCF	Standby Credit Facility
SDR	Special Drawing Right
SDS	small developing state
SPR	Strategy, Policy and Review Department (IMF)
STA	Statistics Department (IMF)
TA	technical assistance
UCT	Upper Credit Tranche
UNFCCC	United Nations Framework Convention on Climate Change
WHD	Western Hemisphere Department (IMF)

EXECUTIVE SUMMARY

This evaluation assesses the IMF's new approach to its climate-related work since 2021. Following demand from the IMF membership, the Executive Board endorsed a new Strategy to Help Members Address Climate Change–Related Policy Challenges in 2021 and established the Resilience and Sustainability Trust (RST) and its associated instrument, the Resilience and Sustainability Facility (RSF) in 2022 to address longer-term structural issues, including climate change. These two milestones marked the adoption of a new and more systematic approach to climate-related work, building on years of the Fund's analysis of the impact of, and risks associated with, climate change.

This new approach has brought high value added to many of the IMF's members. Member countries broadly appreciated the Fund's climate-related work across surveillance, lending, capacity development (CD), analytical work, and advocacy activities, which were strongly demanded and considered to provide significant value added. The Fund has also managed to position itself as a key international institution, staying within its mandate and operating at the intersection of its members' climate-related needs and their macroeconomic and financial frameworks. Looking ahead, there remains potential for the Fund's unique role on climate-related issues by leveraging its universal membership, technical capacity, convening power, and central position in the global financial safety net.



While the implementation of this new approach to climate went broadly as envisaged, there were shortcomings. The decision on the Climate Strategy left several implementation issues to be addressed by staff and management, and the subsequent budget augmentation effectively scaled back the resources and targets originally envisaged. Additionally, institutional communications were unclear, generating elevated expectations both within and outside the Fund and the perception by some stakeholders of overreach. Ambitious initial planning and weak monitoring mechanisms led to overspending, triggered by unanticipated workload and members' demand. Despite some temporary reallocation of resources from other activities, there was no significant crowding out overall, and the climate-related work did not compromise the quality of the Fund's operations. As coordination structures matured and internal expertise was developed, pressures declined, and, by the end of the evaluation period, the Fund operated more efficiently. Internally, many staff felt that they had been asked to deliver urgently on an area of work in which they lacked sufficient expertise, in a context of scarce resources and insufficient strategic planning. At the same time, variations in institutional priorities and political support affected staff incentives.

The evaluation also finds there is scope to strengthen the technical underpinnings of the new climate approach. In surveillance, the main issues are the operationalization of macrocriticality, the tailoring of coverage to specific country needs, and fine-tuning the Fund's analytical tools and models. The evaluation finds that the RSF could be improved by revisiting aspects like the duration of arrangements, the strength of the reform measures, or the frameworks for collaboration with partners and post-program monitoring. More generally, the Fund could further explore the potential role of non-RSF lending in supporting members' climate-related needs. Finally, the CD work could be improved by focusing on the alignment of technical assistance with surveillance and lending and by addressing issues with implementation and follow-up.

Consolidating the gains of climate-related work and further enhancing its efficiency will require sustained institutional support. The launch and early implementation of the Fund's new approach to climate enjoyed strong support from the membership. By contrast, toward the end of the evaluation period, the reduced backing from part of the membership, the ongoing management streamlining exercise, and the curtailed institutional signaling have tilted risks toward a scaling back of the Fund's climate-related work, which may constrain the provision of services that are highly valued and demanded by the membership and affect the integration of climate-related considerations in the traditional core policy areas.

The evaluation offers the following recommendations:

Recommendation 1.
Surveillance: Article IV staff reports should more explicitly assess macrocriticality and enhance the tailoring of climate-related coverage.

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.

Recommendation 3.
Capacity Development: Staff should strengthen the links between climate-related CD, surveillance, and lending to increase the effectiveness of all three activities.

INTRODUCTION

This evaluation analyzes the work of the International Monetary Fund (hereafter the IMF or the Fund) on climate-related issues between 2021 and mid-2025.[1] The Executive Board adopted the Strategy to Help Members Address Climate Change Related Policy Challenges in July 2021 (hereafter the Strategy) (IMF 2021b), and the Resilience and Sustainability Trust (RST) and its associated instrument, the Resilience and Sustainability Facility (RSF), in April 2022 (IMF 2022f). In line with members' demand, these decisions marked the start of a new approach to the Fund's engagement on climate-related issues, deepening and systematizing its work to help members address their associated macroeconomic and financial policy risks.

The evaluation focuses on the ongoing implementation of the IMF's new climate approach. The evaluation takes stock of and analyzes the ongoing experience with the Fund's climate-related work, focusing on the Strategy and the RST. As an early-stage evaluation, it provides evidence to inform future decisions, adjustments, and enhancements of the Fund's climate approach but does not assess its final outcomes. It analyzes the legal and operational foundations of the Fund's approach to climate-related issues as well as implementation through its surveillance, lending, and capacity development (CD) activities. The evaluation also considers how the Fund's work fits within the broader global architecture for combating climate change and members' demands and expectations. Building on all the above, the evaluation proposes possible ways forward to enhance the Fund's climate-related work.

Sources of evidence and background papers. The evaluation uses a mixed methods approach. The sources of evidence include (i) literature and desk reviews of selected internal and external documents; (ii) empirical work and text analysis of Fund reports and databases, including the use of large language models (LLMs); (iii) interviews with Fund staff, management, and Executive Directors as well as country authorities and external experts from civil society organizations (CSOs), think tanks, multilateral partners, and academia; (iv) surveys of country authorities and Fund staff; and (v) workshops with experts. Theories of Change have been used to frame the implementation of the Fund's climate-related work (see Annex 1). The evaluation draws on five background papers that analyze, from a bottom-up approach, the Fund's climate-related work on surveillance, lending, and CD, and, from a top-down approach, the institutional operationalization of this work and the Fund's role in the global climate architecture (see Annex 2).

Structure of the report. Chapter 2 analyzes the main elements and operationalization of the Fund's approach to climate-related issues. Chapters 3–5 evaluate the Fund's climate-related work in its three main activities: surveillance, lending, and CD. Chapters 6 and 7 provide the evaluation's main findings and recommendations, respectively.

[1] The evaluation considers developments before 2021 to provide context and only covers RSF arrangements that ended before July 1, 2025, to adhere to the IEO's noninterference clause. In this report, "climate-related" issues broadly refers to the macroeconomic risks and implications of climate-related natural disasters, climate change, and the transition to a low-carbon economy.

2

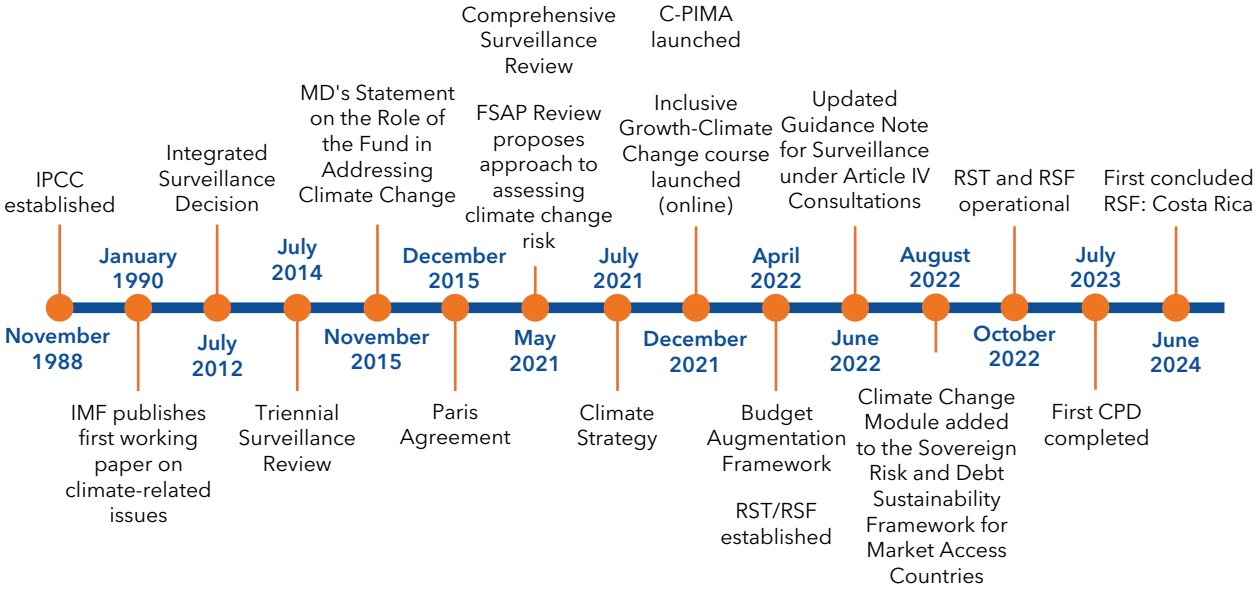
THE FUND'S APPROACH TO CLIMATE-RELATED ISSUES

The IMF has paid attention to the macroeconomic implications of climate change for many years. The Fund has been analyzing the impact of climate-related shocks and the policies implemented to address it for decades (Figures 1 and 2). Attention to climate-related issues at first grew slowly and was ad hoc and often tangential. The adoption of the Paris Agreement in 2015 contributed to an increase in the Fund's climate-related activities, but it was not until 2021–22, with the adoption of a more formal and systematic approach to climate, that this work expanded at scale to support members' needs.

LEGAL FRAMEWORK

The IMF's engagement on climate-related issues derives from its Articles of Agreement and is anchored on four main pillars. Articles I and IV enable the Fund to oversee members' economic policies, extend financial assistance, and offer policy advice (IMF 2020). While they do not explicitly refer to climate change, they provide a flexible legal foundation to address macroeconomic and financial risks arising from global challenges. The interpretation of the mandate and legal basis for climate-related work has evolved gradually in line with the shifting priorities and broadening consensus among its membership (IEO 2024) and rests on four main pillars.

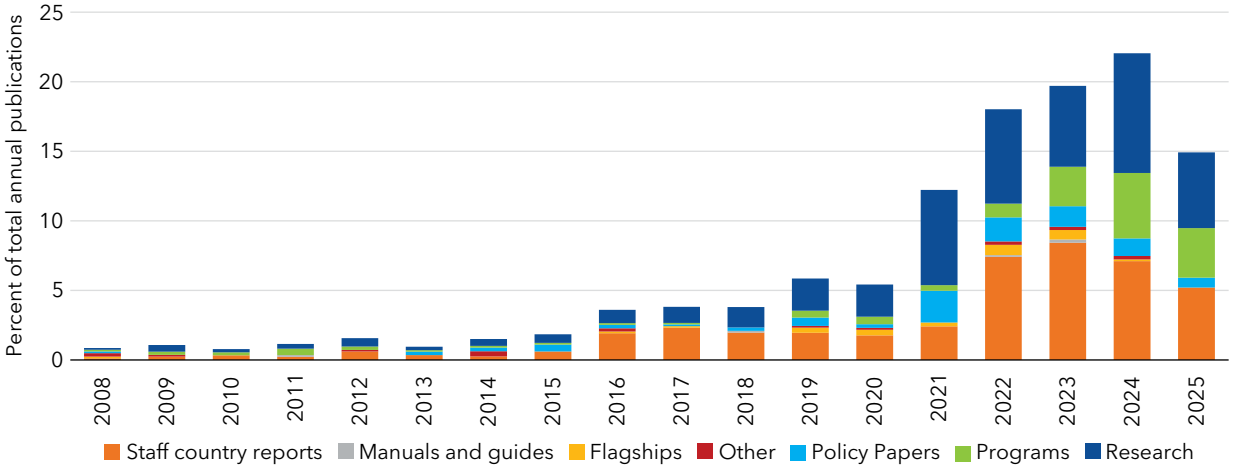
FIGURE 1. SELECTED TIMELINE OF THE IMF'S ENGAGEMENT ON CLIMATE-RELATED ISSUES



Source: IEO staff.

Note: CPD = Climate Policy Diagnostic; C-PIMA = Climate-Public Investment Management Assessment; FSAP = Financial Sector Assessment Program; IPCC = Intergovernmental Panel on Climate Change; MD = Managing Director; RSF = Resilience and Sustainability Facility; RST = Resilience and Sustainability Trust.

FIGURE 2. EVOLUTION OF THE IMF'S CLIMATE-RELATED PUBLICATIONS



Sources: IMF (2025a); IEO staff calculations.

Note: Climate-related publications are classified across seven categories: (i) staff country reports: Article IV reports, Financial Sector Assessment Programs (FSAPs), and Selected Issues Papers (SIPs); (ii) manuals and guides: How-to Notes, technical notes, manuals, and guides; (iii) flagships: External Sector Report, Fiscal Monitor (FM), Global Financial Stability Report (GFSR), World Economic Outlook (WEO), and Regional Economic Outlook (REO); (iv) Policy Papers; (v) program documents; (vi) research: books, staff position and technical notes, and Departmental, Working, and Occasional Papers, and (vii) other publications. Technical assistance (TA) reports are excluded from the analysis due to their limited availability and their infrequent publication as most are confidential and not publicly released. See the Online Statistical and Methodological Appendix for more details.

First, the 2012 Integrated Surveillance Decision (ISD) anchored the IMF's bilateral surveillance on the macrocriticality criterion and incorporated multilateral surveillance in Article IV consultations.[1] The ISD stated that the Fund's bilateral surveillance "will focus on those policies of members that can significantly influence present or prospective balance of payments (BOP) and domestic stability," which has come to be known as the macrocriticality criterion (IMF 2012). The ISD established that exchange rate, monetary, fiscal, and financial sector policies—both their macroeconomic aspects and macroeconomically relevant structural aspects—will "always" be relevant for bilateral surveillance. The coverage of other policies would be examined when they meet the macrocriticality criterion. Additionally, the ISD established Article IV consultations as a vehicle for multilateral surveillance covering policies of member countries that impact the effective operation of the international monetary system (IMS).

Second, the 2021 Comprehensive Surveillance Review (CSR) provided guidance on the time horizon of surveillance and clarified coverage of climate change. The 2021 CSR introduced economic sustainability as a surveillance priority and considered that it could be affected by conditions such as steadily rising global temperatures.[2] This implied extending the time horizon of the Fund's surveillance beyond its traditional focus on short- to medium-term stability (i.e., one to five years), coinciding with political cycles and the typical length of Fund programs.[3] On coverage, the CSR centered

[1] The formal term for the ISD is the 2012 Decision on Bilateral and Multilateral Surveillance. For a more detailed discussion of the ISD and the macrocriticality criterion, see IEO (2024).

[2] Together with economic sustainability, the CSR established three other priorities: (i) confronting risks and uncertainties; (ii) preempting and mitigating adverse spillovers; and (iii) adopting a more unified approach to policy advice "that better accounts for the tradeoffs and synergies among different policy combinations" in the face of limited policy space and overlapping priorities (IMF 2021d).

[3] This extension of the time horizon was particularly important for the coverage of climate-related issues, where the traditional focus was creating blind spots in the Fund's analysis and advice. The IEO (2024) found a lack of clarity among Fund staff regarding the time frame to which economic sustainability should be applied; thus, further steps are needed to support consistency in its application.

on three types of climate-related policy challenges: (i) global mitigation; (ii) adaptation; and (iii) managing the transition to a low-carbon economy. The latter two were deemed domestic policy challenges subject to bilateral surveillance, when macrocritical. Consistent with the ISD, coverage of global mitigation was warranted through multilateral surveillance to the extent that it impacts the effective operation of the IMS.[4] The CSR determined that, collectively, the global mitigation policies of individual members could impact the effective operation of the IMS; thus, coverage of such policies was warranted in flagship reports. While mitigation policies of individual members did not meet this standard, the CSR strongly encouraged covering such policies in Article IV consultations of the largest emitters of greenhouse gases. Notably, the Fund's climate-related terminology differs from those of the broader international community, which has sometimes led to misinterpretations by internal and external stakeholders.[5]

Third, the 2021 Strategy outlined the IMF's surveillance and CD activities. Shortly after the 2021 CSR, and in response to the membership's growing demands for climate-related work that could no longer be covered on an ad hoc basis, the Executive Board endorsed the Strategy (IMF 2021a) and in doing so recognized climate change as "a global existential threat that poses critical macroeconomic and financial policy challenges for the whole Fund membership in the coming years and decades." The Strategy outlined how climate change and related policies—specifically for adaptation, domestic and global mitigation, and transition challenges—could be covered in bilateral and multilateral surveillance. The Executive Board endorsed increasing the Fund's engagement on climate-related issues, including the development of climate-related analytical tools and models, but specific details (e.g., resource allocations) were to be discussed at a later stage in budget discussions (see the section in Chapter 2 on Operationalization and Chapter 3). While the Strategy decision set the path for surveillance and CD, the Board remained divided on the integration of climate-related issues into lending (see Chapter 4).

Fourth, the 2022 RST and its associated RSF introduced a major innovation in IMF lending. The RST and its RSF complemented the Fund's lending framework and were designed to help eligible members address prospective BOP risks from long-term structural challenges. A dedicated trust provided flexibility, enabling the Fund to facilitate financing for longer-term structural transformations, without compromising the integrity of the General Resources Account lending framework (see Chapter 4).[6] The RST funding was secured through bilateral contributions, which were largely covered through the channeling of Special Drawing Rights (SDRs).[7]

[4] The Fund differentiates between achieving domestic emissions targets (which we label "domestic mitigation") and contributing to the global mitigation effort (which we label "global mitigation"). The former is considered a domestic policy challenge related to the transition to a low-carbon economy and thus warrants coverage when macrocritical (bilateral surveillance). The latter is not primarily a domestic policy challenge and thus warrants coverage when member's policies, individually or collectively, may significantly influence the effective operation of the IMS (multilateral surveillance). These labels differ from the Strategy, which used the term "mitigation" to refer to both types in some instances and only to the "global public goods character" in others.

[5] For instance, in the Fund, adaptation refers to "policies [to] deal with and/or prepare for the economic and social consequences of climate change" (IMF 2021c), which is narrower than the scope applied by the United Nations Framework Convention on Climate Change (UNFCCC), where it "refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change" (UNFCCC, n.d.). Meanwhile, the Fund's mitigation terminology differs from that used by the broader international community, where "mitigation" generally refers to actions aimed at reducing or preventing greenhouse gas emissions and enhancing carbon sinks to limit the magnitude of future warming. See also IEO (2024).

[6] The Trust ensured that the financial risk was borne by contributors and maintained voluntary participation. The RST was designed to address longer term structural challenges and, while it included the possibility of expanding its coverage beyond climate change and pandemic preparedness, no additions to the list of qualifying structural challenges were proposed in the 2024 RST Interim Review (IMF 2024b). Until end-2025, only Jordan, out the 26 approved RSF arrangements, has included a pandemic preparedness objective.

[7] As part of the response to the COVID-19 pandemic, the Fund had approved a historically large $650 billion general SDR allocation in August 2021. As SDRs are allocated proportionally to each member's quota, the RST (and the Poverty Reduction and Growth Trust (PRGT)) provided an avenue for rechanneling SDRs from major advanced and emerging economies to the members most in need of them.

OPERATIONALIZATION[8]

Budget Planning and Execution

The Strategy provided a number of operational targets and estimated the resource allocation needs accordingly. It noted targets for coverage of climate-related issues in Article IV consultations, Financial Sector Assessment Programs (FSAPs), flagships, Regional Economic Outlooks (REOs), Policy Papers, the new Staff Climate Notes, TA, and training. It recognized that these would require resources, both reallocated and additional, but the Executive Board did not decide on the amount (see Annex 3). Overall, staff estimated that, in the steady state to be achieved in three years, these deliverables required an additional 115 full-time equivalents (FTEs), 95 of which could be covered by the Fund's internal budget resources and an additional 20 that could be covered by donor funds dedicated to CD activities. This estimate did not include any resource needs associated with the RST and its RSF.

The subsequent 2021 Budget Augmentation Framework reduced the Strategy's ambition. The Executive Board discussed the Budget Augmentation Framework (hereafter the Augmentation) in December 2021, further operationalizing the Strategy. However, the Augmentation covered 70 internally financed FTEs for climate-related work, which was below the 95 foreseen in the Strategy.[9] This, in turn, led to a parallel reduction in targeted outputs (see Annex 3). The resources allocated for climate-related work under the Augmentation amounted to 2.3 percent of the Fund's overall budget. These additional resources were formally reflected in the FY2023–25 medium-term budget (IMF 2022c).

The establishment of the RST in 2022 led to additional demands on resources not considered in the Augmentation. The Executive Board and staff recognized during consideration of the Augmentation that the creation of a new lending facility would entail both set-up and ongoing operational costs, but these costs were not accounted for until the proposal to establish the RST (IMF 2022f). The RST proposal estimated gross steady-state costs at $15 million, including $5–6 million in trust management costs.[10] The proposal acknowledged that RST-associated costs in FY2022 had been funded through reallocation and overtime and, starting in FY2023, those costs would be funded through annual reallocations of the medium-term budget envelope.[11]

Implementation under the Augmentation was broadly as envisaged, with higher-than-expected spending early on that subsided by the end of the period, reflecting a learning process. Underestimated workloads associated with surveillance, analytical work, and the launch of and unanticipated high demand for the RSF were the main drivers of the initial spending pressures, which were unevenly distributed across departments and decreased by the end of the evaluation period. Total climate spending, as a percentage of total Fund-financed spending, amounted to 3.5 percent in FY2023, 4.3 percent in FY2024 and 4.3 percent in FY2025. In FY2023 and FY2024, the first two years of the Augmentation, internal estimates indicate that departments receiving augmentation resources for climate-related work overspent by about 44 percent (excluding donor-funded spending), an excess of $16.6 million in FY2023 and $18.1 million in FY2024; i.e., an average of 2.0 and 2.1 percentage points of area and functional departments' combined Fund-financed budget in FY2023 and FY2024, respectively (IMF 2025b). In FY2025, the final year

[8] This section draws on the evaluation background paper by Citrin and Rollins (2026).

[9] The Augmentation was approved in dollar terms (rather than FTEs) with the intention of having the final allocation of FTEs reflect departments' needs over the three-year implementation period. It established a 6 percent increase in the Fund's net administration budget over FY2023 through FY2025 to cover work on five areas: climate, digital money, macro-financial surveillance, support to fragile and conflict-affected states, and gender and inclusion. Thirty-seven percent of the augmentation resources were devoted to climate.

[10] The overall net administrative budget was $1,214 million for FY2022 and $1,295 million for FY2023.

[11] In particular, (i) set-up costs would be covered through room in existing departmental budgets supplemented by transitional resources; (ii) ongoing trust management costs, through a management fee charged to the Trust; and (iii) other ongoing operational costs, through the regular budget process.

of the Augmentation, spending pressures moderated significantly, reducing overspending to 13 percent, or $7 million, an excess spending of 0.8 percentage point of the total Fund-financed spending budget.

The expansion of climate-related work led to some reprioritization that did not significantly compromise the quality of the IMF's work. The Fund's expanding climate-related work initially raised concerns about potential trade-offs, including the risk of crowding out other areas. Indeed, the increase in actual climate-related spending above the additional budget provided by the Augmentation, without a corresponding increase in overtime, suggests some reallocation from other activities.[12] Authorities perceived little crowding-out effect and prioritized the importance of integrating climate-related considerations in the Fund's analyses. For their part, staff highlighted more the opportunity cost of such integration, in a context of constrained resources, limited length of reports, and competing priorities. Many of them considered that in the early stages of the Augmentation they had limited flexibility and felt pressure to prioritize climate-related issues, most intensely in area departments and RSF countries. However, they described displacements as temporary and modest, not compromising the quality of the Fund's work, and emphasized that climate change was a macrocritical issue deserving appropriate attention. Over time, pressures eased across the institution, and there appears to have been better and more efficient integration of climate-related considerations into the Fund's broader work, reducing concerns about displacement of other priorities.

Human Resources Management

To maximize effectiveness and coherence, the IMF concentrated expertise in functional departments, creating Climate Change Knowledge Hubs (Climate Hubs). There were 52 external climate-related hires, representing three-fourths of those envisaged. The remaining staff resources came from the Fund's existing pool and normal intake of economists and technical experts who were 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 Climate Hubs for developing analytical tools, policy frameworks, and guidance, while area departments would adapt expertise to country work.[13] More recently, as functional departments have developed foundational expertise and analytical tools, and climate-related considerations are better integrated, some area departments have called for a reallocation of expertise toward them, which could strengthen country tailoring and traction.

The HR plan encompassed both external climate-related hires and training to enhance staff's climate expertise. Climate-related hires' contributions are highly regarded, notwithstanding a natural adaptation process to the Fund's culture and operations. They were mostly hired on fixed-term contracts and, as the Fund's work on climate matured, questions arose on how to best manage their career paths, especially for those considered specialists.[14] Supervisors and colleagues interviewed believed that most of the climate-related hires have a role to play given persistent demand and, if necessary, would be able to transition to more general roles, particularly within functional departments. The Fund has also trained employees, including through its flagship "Climate Change 101" course, which has reached almost two-thirds of Fund employees.[15] While most staff in area and functional departments

[12] Overtime for most operational departments was high between FY2021 and FY2023, reflecting work pressures associated with the COVID-19 pandemic, which later combined with the initial implementation of the climate approach. Pressures generally moderated in the subsequent two fiscal years, with FY2025 levels closer to the prepandemic levels of FY2019. Notably, Fund staff tend to underreport overtime.

[13] Within these Climate Hubs, the Strategy and Policy Review Department (SPR) and most functional TA departments—Fiscal Affairs (FAD), the Institute for Capacity Development (ICD), Monetary and Capital Markets (MCM), and Statistics (STA)—were prioritized, accounting for almost three quarters of all climate-related hires.

[14] The Fund regularly hires specialists (generally economists in specialized career streams), who have more restricted mobility than fungible macroeconomists. Seventy-five percent of climate-related hires are in specialist roles.

[15] The Climate Change 101 course was launched by ICD in collaboration with FAD, MCM, Research Department (RES), Strategy, Policy and Review Department (SPR), and STA. As of end-2025, 1,395 Fund employees had completed at least one module of the course.

felt training was adequate, many expressed concerns that generalist macroeconomists still lack depth on climate-related issues relative to external expectations, particularly in the context of RSF arrangements, thus requiring support from climate-related hires and/or external partners for implementing and monitoring reform measures (RMs).

Structure and Organization

The organization of climate-related work at the IMF has evolved from informal efforts to a more institutionalized structure centered around functional departments. Prior to the Strategy, several climate-related initiatives began on an ad hoc and informal basis through the efforts of the Fiscal Affairs Department (FAD), for example, collaboration with the World Bank on the Climate Change Policy Assessments and the creation of several working groups as well as intra- and interdepartmental collaboration. The Strategy deepened the internal organization, structured around three main elements: (i) the Climate Steering Committee, preceded by the Climate Advisory Group,[16] and created to address high-level operational issues, comprising a Deputy Director and managers from each department; (ii) the Climate Hubs in FAD, ICD, MCM, RES, SPR, and STA, which, in addition to supporting country teams, covered a range of activities including development of analytical tools, policy analysis, multilateral surveillance, CD activities, and outreach; and (iii) the Community of Practice for Climate Models and Macro Frameworks, established in 2023 and open to all Fund employees.

The operationalization of the Strategy and the RSF set the institution on an accelerated learning-by-doing path. Staff faced the challenge of responding very quickly to high volumes of work that required learning, innovation, adoption of new analytical tools and frameworks, and collaboration with external partners beyond the traditional ones. Staff in Climate Hubs sometimes felt overstretched and area departments were not always satisfied with their access to expertise from Climate Hubs. While support for surveillance of the largest economies and RSF recipients was generally adequate, it was sometimes considered insufficient for smaller economies and non-RSF countries. Both area and functional departments expressed concern about the proliferation of, and resources devoted to, publications, with insufficient planning and priority setting. Many staff members noted that much of this work reflected an incentive to gain visibility and strengthen career prospects by producing analytical work in an area perceived as a priority by management. Relatedly, interdepartmental coordination in the development and use of analytical tools was not always straightforward, with departments often placing strong emphasis on the ownership of their respective models.

To facilitate improved coordination across departments, SPR assumed an organizing role. With members' growing demand for RSF engagements, SPR guided an interdepartmental process to set priorities amongst countries. This helped reduce the tensions created by area departments' competing demands for functional departments' support. SPR also developed and reviewed Fund-wide policies and practices, a task entrusted to its Climate Policy Division that was established in 2023. Staff in both area and functional departments agreed that this structure enhanced efficiency and helped align activities with institutional priorities and mitigate enterprise risks (see Annex 4). In the context of management's 2025 streamlining exercise[17] and as climate-related issues became better integrated in Fund operations, in October 2025 this division was merged into a new "Macro-Financial and Structural Policies Division," which integrates the work on broader macrostructural issues, such as climate-related, artificial intelligence, distributional, social, labor, and demographic issues. Similar measures are being adopted by other departments.

[16] The Climate Advisory Group built on previous initiatives such as the Macroeconomic Climate Indicators Dashboard and PortWatch. It coordinated discussion on climate-related work and policies and grew from a small group of staff with climate expertise and managers to more than 100 members at various grade levels.

[17] Management sent an office memorandum on "Streamlining Outputs and Business Processes" to heads of departments and offices in June 2025 (IMF 2025d). The streamlining process sought to address a building tension between the Fund's expanding scope of work, limited resources, and goal of continuing to provide high quality and value-added policy advice, a "trilemma" also highlighted in IEO (2024).

As envisaged under the Strategy and continuously emphasized by the Executive Board, the IMF leveraged external partnerships to supplement its capacity and increase efficiency. These were operationalized through comprehensive formal agreements (e.g., with the World Bank), flexible memorandums of understanding and terms of reference, and informal staff-level engagements, mainly in the context of RSF arrangements. Most staff viewed collaboration as expansive and generally constructive, reflected in synergies in research and data needs, and, to a lesser extent, joint analytical work and missions. Staff also highlighted that, while external partnerships could enhance the Fund's reach and technical depth, they did not always reduce the internal workload, as they required significant coordination efforts, underscoring the importance of clarifying the respective roles of the Fund and its partners on climate-related work. These findings further reinforce the need for a coherent and best-practice framework for engagement with partners, as proposed by the IEO (2024).[18]

SUPPORT, COMMUNICATIONS, AND INTEGRATION INTO THE GLOBAL CLIMATE ARCHITECTURE

Support and Communications

The institutional framework for climate-related work was adopted with strong support from management and the Executive Board, which had nonetheless weakened by the end of the evaluation period. The leadership of IMF Managing Directors has been instrumental in advancing the Fund's work on climate-related issues both before and after the Strategy.[19] The membership's political support was strong during the early years of the design and implementation of the new climate approach, with members emphasizing the need for collaboration with other institutional partners. However, toward the end of the period, support for the Fund's climate-related policies from some member countries weakened. This left member countries scattered along a spectrum, ranging from those advocating a narrow interpretation of the Fund's climate-related mandate—restricted to assisting members with the effects of natural disasters and with adaptation policies in the most vulnerable countries, mainly small developing states (SDSs)—to those favoring a ramp-up of the Fund's engagement and, in some cases, aligning its operations with the Paris Agreement. Most country authorities consulted by the IEO considered that the Fund should continue to engage on climate-related issues to the same extent or more than in the past five years. By contrast, a smaller group of countries, amounting to about one-third of quota shares, mainly from advanced and some emerging economies, opined that the Fund should scale back its climate-related activities.

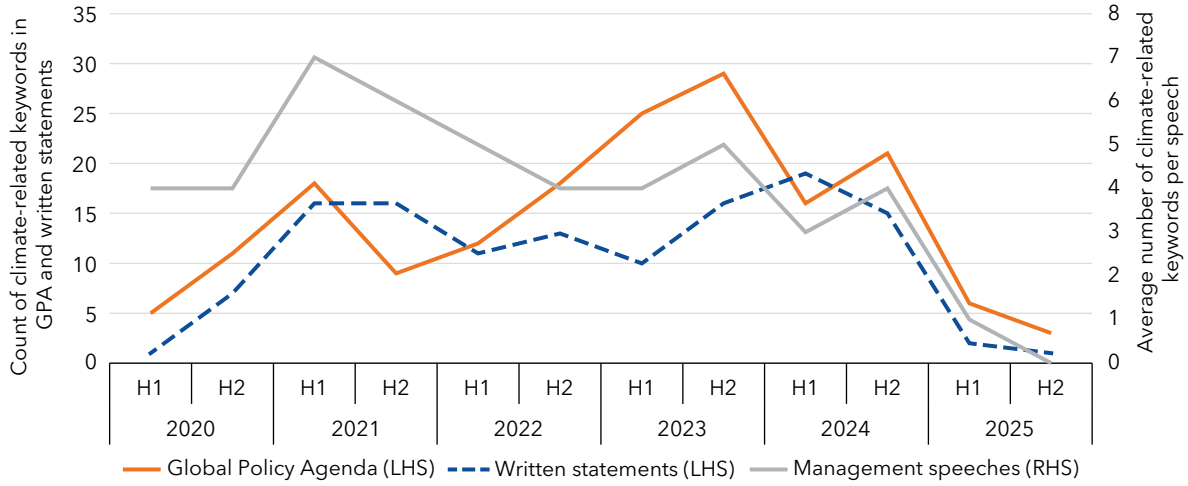
Institutional priorities have also fluctuated, with decreasing emphasis on climate-related issues at the end of the evaluation period. The strategic focus on the Fund's climate-related work diminished at the end of the evaluation period, coinciding with management's streamlining exercise, reduced backing from some members, and emerging geopolitical challenges. These factors had an immediate effect on institutional priorities, with climate-related issues being deemphasized. Interviews among staff revealed significant cuts in the resources devoted to climate-related issues, with ongoing adjustments to internal structures to adapt to the new priorities. The change is also seen in institutional signaling, for example, in the MD's Global Policy Agenda—of the 173 references to climate-related issues in the Agenda between 2020 and 2025, only 9 were made in 2025 (Figure 3).

With the benefit of hindsight, institutional communications have not been sufficiently nuanced. As the new climate approach was launched, both internal and external communications conveyed a strong sense of urgency and ambition, which was justified by the existential threat character of the climate crisis (for example, Lagarde 2018; 2019; IMF 2021a; 2023b) as well as by growing demands from

[18] For a more detailed analysis of the Fund's engagement with partners, see Abrams and Rustomjee (2024).

[19] See IEO (2024).

FIGURE 3. EVOLUTION OF THE IMF'S CLIMATE-RELATED COMMUNICATIONS



Sources: IMF; IEO staff calculations.

Note: GPA = Global Policy Agenda; H1 = first half of the year; H2 = second half of the year; LHS = left-hand side; RHS = right-hand side; Written statements = Managing Director's written statements to the Development Committee. See Online Statistical and Methodological Appendix for more details.

the membership and international community more generally. However, according to many stakeholders within and outside the Fund, the messaging was not sufficiently nuanced, since it did not explain the Fund's role; it discussed the Fund's contributions toward combating the climate change emergency but did not adequately explain the Fund's focus on the macroeconomic dimensions of climate change within its institutional mandate. These communications created a perception that the Fund was taking on a whole new area of work and generated high expectations about its contribution. As a result, concerns emerged, both internally and externally, about the risks of crowding out work in other areas, in a tight budget context, and the Fund going beyond its mandate. In turn, this diverted attention from the issue of how best to incorporate the macroeconomic implications of climate change in the Fund's work and toward a debate about whether the Fund should engage beyond providing assistance after natural disasters—despite a widely held view that climate-related considerations are necessary for sound policy advice, including in traditional core policy areas.

In this context, staff lacked clarity about the Fund's strategic engagement on climate-related issues. Staff interviews highlighted that guidance on climate-related work was confusing, straining their morale. While most staff welcomed greater engagement on climate-related issues, views have long differed between those favoring deeper Fund involvement—given the risks posed by climate change and the costs of inaction—and those advocating a more limited role, grounded in the Fund's expertise, resource constraints, and the need to safeguard the quality of its advice. Some opined that the Strategy lacked depth and breadth on the macroeconomic implications of climate change and its repercussions on the Fund's work, and that it was too ambitious in terms of both quantitative targets and timing. Compared to previous experiences of integrating complex, substantive policy areas, the expectation to reach a new "steady state" in three years was indeed ambitious—for example, the integration of macroprudential and macrofinancial issues after the Global Financial Crisis was still considered incomplete nearly a decade after the Financial Surveillance Strategy was endorsed (IMF 2021d). Overall, many staff felt that they were rushed to work on these issues and learn on the job, in a context marked by unclear signals, lack of planning and monitoring, and scarce resources.

Toward the end of the evaluation period, staff incentives reflected changes in institutional priorities. The reduced institutional signaling,

the change in support from some capitals, and the institutional reprioritization of climate-related issues were reflected quickly in staff's attitude and incentives, with the views of those more restrictive and those who had grown fatigued by the implementation and learning efforts gaining relative weight. Survey results were split between staff who believed that going forward the Fund should do as much work or more, and those who considered the Fund should do less on climate-related issues, with most interviewees concurring that strategic guidance on climate-related work was still confusing. Many internal stakeholders agreed with the Fund's attempt to rationalize and integrate climate-related issues more effectively, addressing the initial overshooting. At the same time, some expressed concerns that this recalibration may have swung the pendulum too far, with a risk of reversing aspects of the high-quality and unique climate-related work undertaken by the Fund in response to members' demand. Some interviewees reported instances where staff felt constrained or self-censored on climate-related initiatives, including in discussions with authorities on potential RSF arrangements.

Integration into the Global Climate Architecture[20]

While it was a late entrant, the IMF has made important contributions to the Global Climate Architecture (GCA), staying within its mandate. The Fund has reinforced the GCA by focusing on the macroeconomic and financial implications of climate change and members' related policies. The Fund's climate-related work, through its surveillance, lending, and CD activities, can be mapped to the interrelated dimensions of the GCA, including its structures and institutions, legitimacy and authority, scientific basis, implementation, and accountability and transparency (Box 1). The Fund's contributions to the GCA have relied on collaborative initiatives and its unique comparative advantages, namely, near universal surveillance reach, analytical and technical expertise, convening power, and centrality in the global financial safety net.

However, there is still demand for further integration of IMF work in the GCA. On the scientific basis of the GCA, some stakeholders argue that the Fund, as the leading international macroeconomic institution, should contribute to constructing the socioeconomic "foundational assumptions" of the Shared Socioeconomic Pathways of the Intergovernmental Panel on Climate Change (IPCC). On legitimacy, external critics, mainly CSOs, frequently argue that Fund operations' lack of full alignment with the Paris Agreement weakens coherence and legitimacy and call on the Fund to at least adopt a "do-no-harm" pledge. The Fund has not moved in this direction to preserve its operational flexibility and to maintain coherence with its Articles of Agreement.[21] On implementation, many stakeholders argue that the Fund could further exploit its convening power, deepening advocacy and engagement. More generally, the most recent reduction in climate-related activities raises concerns among many stakeholders—including authorities, CSOs, and staff—regarding not only the Fund's own contribution but also the continuity and effectiveness of the climate action of member countries and other institutions.

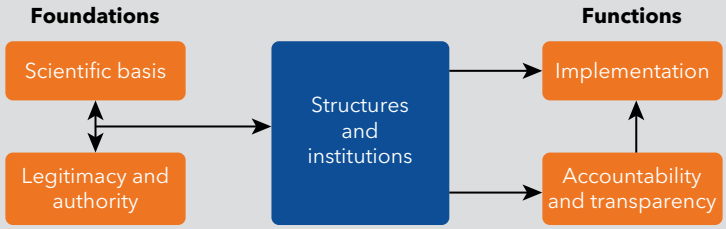
[20] This sub-section draws on the evaluation background paper by Canseco, Gentle, and Pérez Verdía (2026).

[21] The Fund is neither a formal party to the UNFCCC nor a signatory of the Paris Agreement, which are open only to sovereign states (and the European Union). While MDBs have agreed on a joint framework for "Paris alignment" of their activities, the Fund has not formally aligned its operations to the Paris Agreement. Aligning Fund operations with the Paris Agreement would require demonstrating that this alignment is consistent with the Articles of Agreement or amending them.

BOX 1. THE IMF'S CONTRIBUTION TO THE GLOBAL CLIMATE ARCHITECTURE

The Global Climate Architecture (GCA) refers to the structures, institutions, processes, and mechanisms guiding international efforts to mitigate greenhouse gas emissions and adapt to the impacts of a changing climate. It blends formal and informal arrangements, market-based mechanisms, and knowledge-sharing platforms, all aimed at fostering coordinated global climate action, and can be summarized in five interrelated dimensions (Figure B1.1).

FIGURE B1.1. FIVE DIMENSIONS OF THE GLOBAL CLIMATE GOVERNANCE ARCHITECTURE



Structures and institutions. The United Nations Framework Convention on Climate Change (UNFCCC) lies at the heart of the GCA, providing overarching guidance on climate action, while implementation relies on a myriad of actors at the local, national, regional, and global levels. This architecture helps the formulation, alignment, and implementation of policies and strategies, fosters knowledge sharing, and relies heavily on cooperation to streamline operations to reduce overlap and clarify standards. The Mutual Reliance Framework among multilateral development banks (MDBs) is a prominent example of collaboration. The Fund works with its members to help them integrate climate-related challenges and their Nationally Determined Contributions (NDCs) in their macroeconomic and financial policies. The Fund also leverages external partnerships to inform and advance its climate-related work.

Legitimacy and authority. The legal authority of the GCA rests on its formal grounding in international law and its institutional linkages to the UN system, including the UNFCCC process (where the Fund has an observer status as a specialized agency designated under Article 57 of the UN Charter), which influences members' climate commitments, norms, and financial flows. The Fund reinforces the legitimacy of the GCA by integrating the macroeconomic and financial implications of climate change and related members' policies. Both internal and external stakeholders also underscore the importance of the Fund's convening power among ministries of finance and central banks in elevating climate-related issues within national policy agendas.

Scientific basis. The effectiveness of the GCA relies on a robust and widely accepted scientific foundation to guide international action on climate change. This dimension mainly rests on the Intergovernmental Panel on Climate Change (IPCC), which produces periodic comprehensive reviews of the most authoritative scientific studies available across the world, providing the scientific, technical, and socioeconomic foundations that inform UNFCCC decisions. The Fund draws on IPCC findings as the basis of its climate-related activities, while its main contributions to the scientific dimension of the GCA include assessments of the macroeconomic implications of its members' mitigation and adaptation strategies, guidance on the design of pricing and non-pricing climate-related policy instruments, and analyses of the distributional impacts of climate change.

Implementation. Implementation refers to measures relating to mitigation, adaptation, and the enabling environment for the translation of commitments into action (commonly referred to as the means of implementation), including climate finance, capacity development (CD), and access to technology. The Fund has also become a facilitator, contributing to the implementation of its members' climate agendas by supporting access to finance directly and indirectly through its lending instruments, catalytic role, and technical expertise in climate finance-related taxonomies and data standards; strengthening institutional and human capacity through the provision of CD; providing policy advice in bilateral and multilateral surveillance; and participating in international forums, such as the Managing Director's previous co-chairing of the Global Commission on Adaptation and the Fund's leadership in the Secretariat of the Coalition of Finance Ministers for Climate Action.

Accountability and transparency. Accountability and transparency are sought through formal reporting, review, and monitoring mechanisms that track progress toward collective and national commitments. The Fund supports countries in generating macro-relevant climate-related statistics through its own data initiatives—such as the Macroeconomic Climate Indicators Dashboard developed in collaboration with other international institutions—updating its flagship statistical manuals or targeted technical assistance.

Source: Canseco, Gentle, and Pérez Verdía (2026).

3 SURVEILLANCE

ARTICLE IV CONSULTATIONS

Implementation

Leading up to and following the adoption of the Strategy, coverage of climate-related issues in Article IV consultations increased in response to members' demand. After moderate increases in 2019 and 2020, the percentage of Article IV reports that included material coverage of climate-related issues jumped in 2021 and 2022, reaching almost 80 percent, before declining slightly over the next two years (Figure 4).[1] According to country authorities and staff, this increase in coverage was largely due to demand from member countries, management, and the Executive Board. In addition, interviews with staff revealed that strong internal incentives and perceived pressure to cover climate-related issues boosted coverage, with most of it being passing mentions.[2] In 2025, however, material coverage of climate-related issues dropped to under 50 percent of Article IV reports, as staff incentives were affected by the de-prioritization of climate change in some capitals, the curtailed institutional signaling, and management's streamlining exercise.[3]

In line with the Strategy and the IMF's expertise, coverage of climate-related issues was mainly linked to fiscal policies among the traditional core areas. The Strategy, for example, lists fiscal management and public debt sustainability first among the major challenges triggered by climate change due in part to the economic costs associated with spillovers. The general guidance of the Strategy was further developed in the 2022 Guidance Note for Surveillance under Article IV Consultations (hereafter the 2022 Guidance Note) (IMF 2022d) (Box 2). Subsequently, the percentage of Article IV reports that included material coverage of climate-related issues linked to fiscal policies and structural policies increased significantly.[4]

This chapter draws on the evaluation background paper by Volz and Wojnilower (2026).

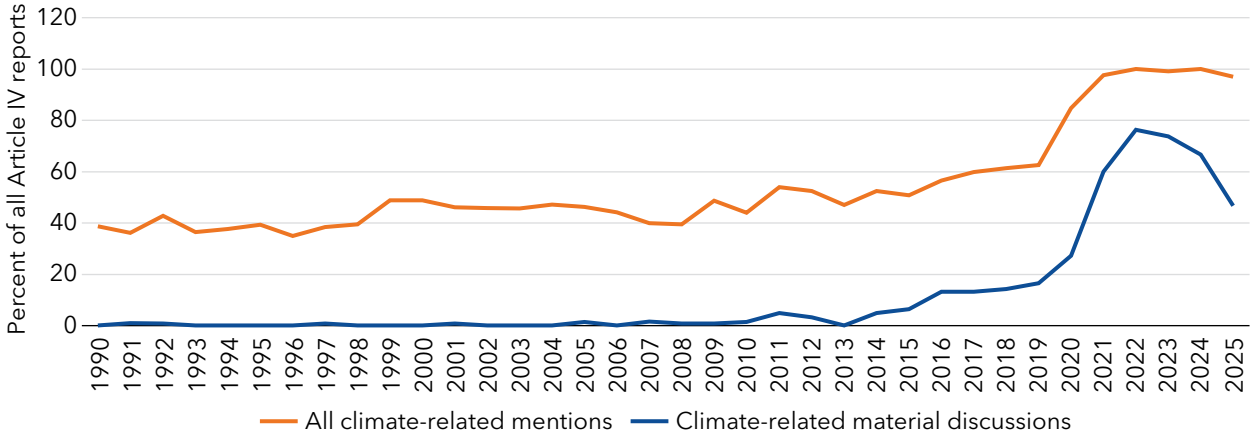
[1] "Material coverage" is defined as including at least five moderate or substantive climate-related discussions. Using large language models (LLMs), climate-related excerpts are classified into passing mentions; moderate discussions (i.e., excerpts that report on a country's targets, policies, and outcomes but do not contain any Fund staff analyses or recommendations); and substantive discussions (i.e., excerpts that contain Fund staff analyses or recommendations).

[2] Figure 4 also shows that nearly all Article IV staff reports since 2021 included climate-related excerpts, with passing mentions accounting for more than half of total climate-related excerpts during that period.

[3] In terms of Article IV consultations, the exercise called for narrower and less frequent coverage of macrocritical structural issues and policies including climate (IMF 2025d).

[4] The percentage of reports that covered climate-related issues linked to financial sector policies only rose slightly in recent years. Meanwhile, practically no reports covered climate-related issues linked to either exchange rate or monetary policies, which is largely attributable to limited availability of relevant methodologies and data in current academic literature.

FIGURE 4. COVERAGE OF CLIMATE-RELATED ISSUES IN ARTICLE IV REPORTS



Sources: Article IV reports; IEO staff calculations.

Note: The relatively high level of coverage prior to 2015 largely reflects discussions of natural disasters. Further details are provided in footnote 1 and the Online Statistical and Methodological Appendix.

These percentages peaked in 2024, at approximately 53 and 32 percent respectively, then declined substantially in 2025 to 28 and 19 percent, respectively. Seemingly reflecting this elevated status of climate-related issues within the Fund, nearly 80 percent of the reports in a desk review also included climate-related issues in their staff appraisal. Consistent with these findings, about 90 percent of country authorities and staff believe that climate-related issues have been integrated within the Fund's traditional core policy areas, at least to a slight extent.

The coverage of adaptation, domestic mitigation, and transition issues has been tailored across country groups. Adaptation issues were substantively and extensively covered in emerging market and middle-income economies (EMMIEs), as well as low-income countries (LICs), especially in those countries most vulnerable to climate change. Text analysis reveals that material coverage of adaptation issues was included in 46 percent of LICs' Article IV reports, while the corresponding figure was 33 percent for EMMIEs and 8 percent for advanced economies (AEs). Thus, adaptation issues have been covered in approximately 36 Article IV reports per year since 2021, exceeding the Augmentation steady-state target of 15 staff reports. Consistent with the 2022 Guidance Note, material coverage of domestic mitigation issues—i.e., policies to achieve domestic emissions targets—were included in about 40 percent of Article IV reports for AEs, in 25 percent for EMMIEs, and in 10 percent for LICs. Coverage of domestic mitigation was widespread in staff reports of the 20 largest emitters, for whom additional coverage of global efforts is strongly encouraged, although it was typically shallow.[5] Coverage of mitigation issues generally favored carbon pricing over other types of domestic mitigation policies (Box 3). Issues related to the global transition to a low-carbon economy received comparatively less coverage than adaptation or domestic mitigation, although they were more prominent among EMMIEs and in Western Hemisphere Department (WHD) countries, which seems consistent with assessments of macrocriticality.

[5] A desk review showed that at least once within the past three years, the Article IV reports for several of the largest emitters included a comparison of their emissions target(s) with peers and a discussion of their participation in global mitigation initiatives. Text analysis, however, revealed that less than 1 percent of Article IV reports since 2021 included material coverage of global mitigation efforts.

BOX 2. THE 2022 GUIDANCE NOTE: CLARIFYING MACROCRITICALITY

The 2022 Guidance Note, along with its subsequent internal updates, provides directions on the coverage of climate change and operationalizes other aspects that were left to the discretion of management and staff in the Strategy. Building on the Integrated Surveillance Decision (ISD), the 2014 Triennial Surveillance Review, and the 2015 Guidance Note for Surveillance under Article IV Consultations, it attempts to clarify the use of macrocriticality—e.g., what, when, and how—to determine coverage of adaptation, transition management, and global mitigation.

Macrocriticality assessment. Under the current frameworks, an assessment of macrocriticality is undertaken at the country level. The Strategy identified 60 climate vulnerable countries for which adaptation seemingly was macrocritical and stated that "transition management is a macrocritical policy challenge for almost every IMF member." Thus, the Fund has not taken the view that all climate-related issues are macrocritical for every member. Accordingly, the 2022 Guidance Note suggests that discussions of climate-related policy challenges in Article IV consultations include an "assessment of macrocriticality." The 2022 Guidance Note also states that "since NDCs and other domestic mitigation targets are fast-evolving targets, staff needs to reassess macrocriticality constantly." When a climate-related issue is deemed macrocritical for a given country, the 2022 Guidance Note clarifies that the provision of policy advice should be conditioned on the Fund having expertise on the issue. The 2022 Guidance Note, however, is not a checklist and does not establish formal requirements for Article IVs. Fund staff therefore "are expected to use judgment with respect to coverage in order to tailor surveillance to country circumstances" (IMF 2022d).

Adaptation. Coverage should begin with an assessment of macrocriticality, i.e., the extent to which spillovers from climate change may significantly affect the real, fiscal, external, or financial sectors. This could include a description of the risks and transmission channels and then proceed to a brief stocktaking of the authorities' policies to strengthen adaptation as well as an analysis of their (expected) impact and financing needs.

Transition management. Coverage once again should begin with an assessment of macrocriticality, which can be understood in two ways. In the first, primarily for countries that rely heavily on the production and export of fossil fuels, macrocriticality refers to the extent to which spillovers from other countries' policies to address climate change may significantly affect the real, fiscal, external, or financial sectors. Coverage should include a description of the risks from a permanent decline in fossil fuel demand and transmission channels through which those sectors would be impacted, and a brief stocktaking of the authorities' policies to diversify their economic and financial exposure as well as an analysis of their (expected) impact and financing needs. In the second, macrocriticality refers to the extent to which reaching a country's Nationally Determined Contributions (NDCs), i.e., domestic mitigation, will require policy changes that may significantly affect the real, fiscal, external, or financial sectors. Coverage therefore should include an assessment of the gap between the country's business-as-usual emissions path and its target(s), and a brief stocktaking of the authorities' policies to reduce emissions as well as an analysis of the country's (expected) impact and financing needs.

Global mitigation: While no country individually can make a sufficient contribution to global mitigation efforts to stop climate change, spillovers from insufficient mitigation efforts by large emitters may significantly affect the International Monetary System. While the 2021 Comprehensive Surveillance Review (CSR) determined that insufficient policies by individual large emitters could not have such an impact, coverage for the 20 largest emitters was strongly encouraged and expected, rather than required, independent of the macrocriticality and multilateral surveillance criterion (IMF 2021d).[1] For these countries, coverage should begin with the aspects outlined under achieving domestic emissions targets then include a comparison of their emissions target(s) with peers and a discussion of their participation in global mitigation initiatives.

Source: IMF (2022d).

[1] The 2021 CSR background paper on Integrating Climate Change into Article IV Consultations (IMF 2021c) provided a list of the 20 largest emitters at that time: Argentina, Australia, Brazil, Canada, China, the European Union (as well as France, Germany, Italy, and Poland on their own), India, Indonesia, Iran, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Thailand, Turkey, Ukraine, the United Kingdom, and the United States. Thus, there are 23 countries, along with the European Union, for which global mitigation coverage is expected currently. This list will be updated in the 2026 CSR and is expected to be updated every three to five years from then on. The IEO (2024) has noted the lack of clarity about what it means for coverage to be "strongly encouraged" and "expected," which opens questions regarding the expectation of coverage of global mitigation for the 20 largest emitters as well as its depth and frequency.

BOX 3. THE IMF'S ADVICE ON CARBON PRICING

Based on research since as early as 2008, the Fund's prevailing perspective is that climate change is an externality problem for which the standard economic prescription is charging a price for greenhouse gas (GHG) emissions equal to the present value of its social costs through a carbon tax, an emissions trading system (ETS), or a hybrid approach (IMF 2008a; 2008b). More specifically, the Fund has focused on increasing prices for CO_2 emissions because they represent the largest share of GHG emissions. Overall, the Fund's research suggests that carbon taxes on CO_2 emissions can be the most efficient and effective policy for mitigating climate change because they can (i) encourage efficient energy usage; (ii) incentivize investment in green energy; (iii) generate fiscal revenues; and (iv) administratively be least costly to implement.

While the international community largely agrees that carbon pricing can be a powerful instrument to reduce emissions, diverse stakeholders criticize the Fund's stance. The main critique seemingly is that the Fund has embedded carbon pricing in its surveillance and lending as a necessary component of each members' policy mix for domestic mitigation. Critics see this as problematic, in part, because carbon pricing can be regressive and its efficiency and effectiveness "depends heavily on how it is designed and how revenues are used" (Kentikelenis and Stubbs 2025). Moreover, they believe the Fund's excessive optimism regarding the actual implementation of carbon pricing schemes hinders a just transition by undermining support for sectoral policies and placing too much of the burden on low emitters. Other critics oppose carbon pricing on energy-security grounds or highlight the need for sustained and affordable long-term financing and technological transfer to allow investment in alternative energy resources.

The IMF, to its credit, has raised these issues in its research and reports. For example, Fund research shows that "country circumstances matter for the household incidence of carbon pricing" and the outcomes can range from moderately regressive to moderately progressive (IMF 2019). The Fund also has reiterated consistently that carbon pricing's efficiency and effectiveness depend on its implementation. More specifically, the Fund notes that using revenues to reduce broader taxes, fund public investments, or reduce fiscal deficits can produce efficiency gains that minimize the cost of reducing emissions. The Fund also recognizes that "if carbon pricing revenues are not used to increase economic efficiency [e.g., lump-sum dividends], pricing can be substantially less cost effective in a broad sense than regulatory combinations or similar policies" (IMF 2019). Moreover, the Fund has acknowledged that "the key priority for emerging market and developing economies is growth and development" and that "low-income developing countries should prioritize reducing energy intensity and adapting to climate change, given limited access to financing and modest contributions to global emissions" (IMF 2023a).

The differing perspectives of the IMF and its critics reflect different views regarding how to address "a fundamental trilemma for policymakers between achieving (1) climate goals, (2) fiscal sustainability, and (3) political feasibility" (IMF 2023a). From the Fund's perspective, fiscal interventions need to respect government budget constraints, and thus, given current fiscal space and the estimated cost of different domestic mitigation policies, members only can achieve their climate goals if carbon pricing is a prominent component of the policy mix. From the critics' perspective, achieving climate goals appears to take precedence; thus, given the potential of global resource mobilization and transfers, members should employ a policy mix that better reflects political constraints and addresses distributional concerns. Ultimately, these differences raise some important questions for the Fund, including (i) to what extent the Fund should adapt its policy advice based on the expected political feasibility of domestic mitigation measures and (ii) to what extent the Fund should incorporate in its assessments of individual members' fiscal space the potential for global resource mobilization and transfers.

Source: IEO.

Climate-related content generally has been adequate, although gaps exist. Coverage has focused largely on providing a stocktaking of countries' climate-related policies, analyzing their expected impact, offering strategies to improve their implementation, and giving advice on alternative policies, often supported by annexes and SIPs. However, there were gaps in the staff reports analyzed by the IEO:

- **The assessment of macrocriticality.** In terms of adaptation, domestic mitigation, and transition issues, nearly every report described at least one risk and one transmission channel, where relevant. Many reports, however, did not link those risks to their Risk Assessment Matrix (RAM) or assigned them a risk level inconsistent with their presentation in the main text (i.e., lower risk).[6] In terms of domestic mitigation, many reports implied, but did not quantify, a gap between the country's current emissions path and their emissions targets; possibly due to lack of clarity regarding those targets, insufficient expertise, and/or political economy considerations.[7] These cases raise questions about how the current framework's guidance, in terms of the analysis and justification of macrocriticality, is being met (Box 2). Both country authorities and staff concurred that macrocriticality was a useful, flexible principle that enabled staff to cover a range of structural issues and policies, although its operationalization was difficult, echoing previous IEO findings.[8] The Fund has developed a set of standardized climate change panel charts to highlight adaptation, domestic mitigation, and transition challenges, which could support more consistent assessments of macrocriticality in Article IV reports.[9]
- **The assessment of financing needs.** Most reports acknowledged that achieving adaptation, domestic mitigation, and transition goals will require creating fiscal space and/or relying on private and external financing. However, staff did not provide an explicit estimate (or range of estimates) of the overall financing needs or the expected sources for that financing, often treating the goals in an "aspirational" manner. Further, for most of these countries, staff mentioned that fiscal space was constrained and medium-term consolidation was warranted to rebuild fiscal buffers and stabilize or reduce debt levels. This implies that government budget constraints will inhibit current climate-related goals from being met, unless additional sources of financing are identified.[10] This raises questions about whether the financing needs associated with climate-related risks—including from underinvesting in climate adaptation and transition—have been sufficiently integrated in the Fund's analysis.[11]

[6] This discrepancy may stem from staff's limited scope to adjust the likelihood of risks drawn from the Global Risk Assessment Matrix (G-RAM) to country-specific contexts. This discrepancy also may stem from different time frames between the RAM, which focuses on a 5- to 10-year horizon, and the main text, which may require a longer time horizon for issues related to economic sustainability (see Volz and Wojnilower, 2026, Annex III).

[7] China's 2024 Article IV (IMF 2024c), on the contrary, provides a positive example of assessing the gap between a country's business-as-usual emissions path and its emissions target, using the Climate Policy Assessment Tool, and, in the DSA, estimating the financing needs associated with meeting China's net neutrality target in 2060. Papua New Guinea's 2022 Article IV also provides a good example of assessing the macrocriticality of the country's adaptation needs in an annex on climate change vulnerabilities drawing from external assessments (IMF 2022e).

[8] See IEO (2024) and Jannils and Wojnilower (2024).

[9] See Volz and Wojnilower (2026, Box 2) for further details. See also, for example, Segal and others (2026), which proposes a one-pager in all Article IV reports on climate-related considerations.

[10] See, for example, Kentikelenis and Stubbs (2025). These findings are consistent with the IEO evaluation of IMF Advice on Fiscal Policy (IEO 2025), which recommended articulating the trade-offs between competing long-term spending needs, fiscal sustainability, and their effects on growth, debt, and income distribution.

[11] Strengthening assessments of financing needs may entail large resource implications in terms of both new data and modeling, particularly for EMMIEs and LICs. Such calculations were very resource intensive when done in the past by WHD staff for two pilot cases, as part of the Disaster Resilience Strategies for Dominica and Grenada. Consequently, the Board decided to discontinue them. An approach that could reduce these resource implications would involve relying more on inputs from the World Bank, other international financial institutions (IFIs), and specialized organizations such as the International Energy Agency, especially when assessing financing needs related to adaptation and energy investment needs.

- **Macrocriticality and financing needs in debt sustainability analyses (DSAs).** Along with receiving less attention in the text, DSAs generally lacked sufficient or consistent incorporation of the macrocriticality of climate-related issues and their associated financing needs, either through the baseline scenario (2.7°C by 2100), stress tests, or via the two long-term climate change submodules in the Sovereign Risk and Debt Sustainability Framework (SRDSF) that display 30-year projections for the debt-to-GDP and gross financing needs-to-GDP.[12] More specifically, climate-related risks were not generally expected to affect the baseline scenario (i.e., the most likely evolution of key macroeconomic variables over the next 10 to 20 years) and adaptation costs were not generally expected to impact debt sustainability significantly in the long run. This raises questions about the realism of fiscal projections and the alignment of surveillance and analytical work with national and global climate objectives.[13]

Demand and Value Added

Member countries generally believed that the inclusion of climate-related issues in Article IV consultations added value and had traction, although there is room for better tailoring of the advice. Evidence from the IEO survey of country authorities was strong in this respect, as they stated that climate-related issues in Article IV consultations have enhanced their understanding of the issues (89 percent) and had traction—e.g., contributed to policy formulation—at least to a slight extent (82 percent). In interviews, however, country authorities were less sanguine, as many officials had doubts about the impact of the advice, arguing that it was too vague and/or insufficiently tailored to the country-specific context.[14] Thus, there seemingly remains room for improvement, which country officials noted could stem from increased expertise, deeper analysis, better understanding of a country's political economy, and more granular advice.

Looking ahead, most authorities and staff believe the IMF should continue to cover climate-related issues in Article IV consultations. Nevertheless, there are differences in the extent to which country authorities and staff think the Fund should cover adaptation, transition, and mitigation issues. Both groups believe the Fund should devote more attention to adaptation relative to mitigation issues and emphasized the importance of country specificity when prioritizing the content of bilateral surveillance, and the need to highlight spillovers in multilateral surveillance. However, staff expressed varying opinions in interviews on where the Fund could provide the most value added, with FAD staff in particular underlining the Fund's strength on issues related to achieving domestic emissions targets and global mitigation efforts. These responses underscore the relevance and timeliness of staff's ongoing efforts to develop internal expertise, particularly in functional departments, in an attempt to reflect the tangible and growing demand from members for deeper expertise on adaptation-related topics.

[12] This omission frequently was deliberate because robust empirical evidence to support existing estimates was lacking. Notably, both the Debt Sustainability Framework for Low-income Countries (LIC-DSF) and the SRDSF include a natural disaster stress test, and progress has been made in incorporating financing needs related to sea level rise (IMF 2022i). The LIC-DSF currently does not include long-term scenarios designed to capture the macroeconomic impacts of adaptation and transition risks. The ongoing LIC-DSF review is expected to address this shortcoming.

[13] The DSA in India's 2023 Article IV (IMF 2023c) provides a positive example of using the customized scenarios in both long-term climate change submodules to clearly highlight risks associated with financing the country's adaptation and mitigation needs.

[14] This difference may stem from the overrepresentation of countries with RSF arrangements in the IEO's interviews, where climate-related engagement took place predominantly in the context of the RSF rather than surveillance. Moreover, Fund staff typically emphasize broad macroeconomic guidance, while authorities may seek more detailed policy recommendations. For instance, suggestions such as implementing a carbon tax or integrating adaptation considerations into fiscal policy might be viewed as insufficiently specific by authorities expecting targeted guidance for particular sectors such as energy or agriculture.

FSAPS

Implementation

The depth of coverage of climate-related issues differed across FSAPs, reflecting risk-based prioritization and country-specific circumstances. Specifically, 19 of the 35 FSAPs published between January 2021 and August 2025 contained substantive analysis of climate-related issues. Among them, more than half included quantitative analyses of both physical and transition risks. For the others, the quantitative analysis focused only on physical or transition risks and, in a few cases, the substantive analysis was qualitative, centering on regulatory and supervisory responses.[15] Among the other 16 FSAPs, 3 included non-substantive analysis of climate-related issues, and the remaining ones either mentioned climate-related risks only in passing or not at all. New methodological approaches were tested in pilot FSAPs and, in 2022, a stocktaking exercise was conducted to support ongoing learning on climate modeling techniques, concepts, and challenges (Adrian and others 2022). Overall, climate-related issues have been covered in nearly two-thirds of FSAPs, which is broadly consistent with the target set in the Augmentation.

There were also inconsistencies between the coverage of climate in FSAPs and country-specific risks. Coverage is guided by a risk-based framework, consistent with the 2021 FSAP Review's recommendations (IMF 2021e), that considers various factors such as the systemic relevance and country-specific circumstances. Nevertheless, coverage can be constrained by data limitations, country authorities' priorities and capacity constraints, or the availability of relevant expertise. Accordingly, some FSAPs identified climate-related risks as material in the RAM and failed to include climate-related risks in stress tests. Other FSAPs did not conduct climate risk analysis even though the country's relative ranking in terms of vulnerability to physical and transition risks is high.[16] For instance, using a country's ND-GAIN Vulnerability Index score (Figure 5A) and share of fuel exports (Figure 5B) as proxies for their vulnerability to climate-related physical and transition risks, respectively,[17] the FSAPs for several countries with relatively high risks did not cover them. These cases raise questions about whether the Fund has integrated climate-related risks and its financial implications sufficiently in its formal analysis.

Demand and Value Added

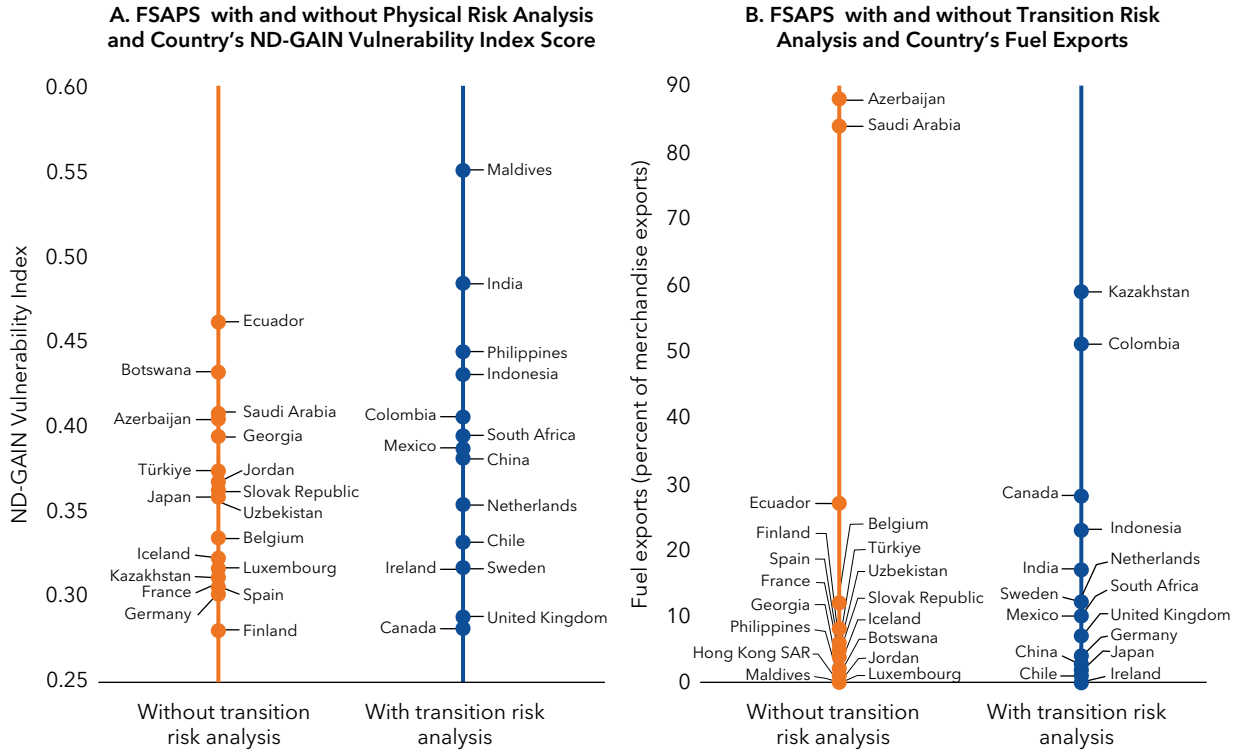
The inclusion of climate-related issues in FSAPs was demand driven, and member countries generally believed that it had added value and traction. According to both authorities and staff, the inclusion of climate-related issues in FSAPs was driven by members requests. Evidence from the IEO survey of country authorities showed that most authorities think coverage of climate-related issues in FSAPs has enhanced their understanding of the issues (80 percent) and had traction (77 percent), at least to a slight extent. In interviews, a few country officials expressed mixed views on the value added of climate-related analysis in FSAPs, noting that assessments, particularly stress tests, were useful and informative but limited in scope. Looking ahead, there is strong support from both authorities and staff for continuing coverage of climate-related issues in FSAPs.

[15] The main FSAP report, the Financial System Stability Assessment, was often backed up by technical notes providing details of the analysis.

[16] It is important to highlight that the scope of FSAPs is jointly determined with national authorities, who may or may not be interested in covering climate-related issues, even if risks are potentially large.

[17] The ND-GAIN Vulnerability Index is a widely used proxy of a country's vulnerability to climate hazards and their capacity to adapt to those changes. While this proxy does not translate directly into financial sector vulnerability, greater exposure and limited capacity to adapt likely increases financial sector risks.

FIGURE 5. COVERAGE OF PHYSICAL AND TRANSITION RISK ANALYSIS IN FSAPS



Sources: IEO staff calculations, with the most recent data available from ND-GAIN; World Bank.

Note: The ND-GAIN Vulnerability Index does not include the World Bank's Doing Business metrics. FSAP = Financial Sector Assessment Program. ND-GAIN = Notre Dame Global Adaptation Initiative.

FLAGSHIP REPORTS AND ANALYTICAL WORK

Implementation

Since 2008, the IMF has produced climate-related chapters in 14 flagship reports, mostly focused on fiscal and mitigation issues, and numerous climate notes. Those chapters were generally well-integrated with the Fund's traditional core policy areas, and they mainly focused on domestic and global mitigation, as set out in the CSR and the Strategy, with some coverage of transition management and adaptation finance. The target in the Augmentation of one to two chapters per year was met in 2021–23, but there were no chapters dedicated to climate-related issues in 2024 and 2025. Beyond the flagships, the Fund launched the Staff Climate Notes series in 2021. A total of 26 Staff Climate Notes were published between 2021 and 2024 to disseminate concise analysis on issues related to the impact of climate change on macroeconomic and financial stability. In May 2025, the Fund decided to eliminate sub-branded notes series, including the Staff Climate Notes, whose publication had been interrupted early in the year.[18] Some staff expressed concern with the decision and questioned whether similar notes would be published in the context of streamlined operations.

The IMF has developed multiple high-quality analytical tools and models to assess the macroeconomic effects of climate change and related policies, while some gaps remain. These tools and models, which often were employed initially in flagship reports and other papers, have been used to support all the Fund's activities. After an initial period of exploration and proliferation of models, the Fund has

[18] This initiative preceded management's streamlining process, which also called for a reduction in the length and frequency of Fund publications including flagship reports, REOs, and Notes series (IMF 2025d). It is unclear to what extent this process will affect the quality and quantity of coverage of climate-related policies and issues in multilateral surveillance, policy papers, and analytical notes.

entered a phase of streamlining and prioritization. The strongest tools and models are largely an extension of the Fund's foundational tools and models, leading to high quality climate-related analysis in the Fund's traditional core areas of expertise. Nevertheless, some gaps remain related to the feedback effects of climate onto the economy, country-level macroeconomic impacts, standardized metrics of climate-related financial risks, and tools and models to assess adaptation policies (Box 4).

BOX 4. ANALYTICAL TOOLS AND MODELS

The IMF is streamlining its analytical tools and models to assess the macroeconomic effects of climate change and related policies following an initial proliferation.[1] In line with the approach taken by other international institutions, the Fund has developed and employed numerous tools and models to assess risks, impacts, and policy responses, including the Climate Policy Assessment Tool (CPAT), the IMF-ENV model, the Debt-Investment-Growth and Natural Disasters (DIGNAD) model, the Global Macroeconomic Model for the Energy Transition (GMMET), the Natural Disasters Debt Dynamics Tool (ND_DDT), and the Quantitative Climate Risk Assessment Fiscal Tool (Q-CRAFT). The Fund's initial approach was to explore different models to better understand the challenges posed by the profound, structural economic transformation implied by climate change. Following this initial stage, the Fund is currently streamlining its tools and models to enhance their quality and consistency as well as improve knowledge sharing.

The IMF has maintained the focus on its areas of expertise, particularly the macroeconomic effects of natural disasters and mitigation policies. The tools and models have been designed to improve surveillance, lending, and capacity development (CD) activities, especially in the fiscal and financial realms, by enhancing the understanding of the impact of climate change and related policies on key macro variables such as output, public revenue, public spending, and the debt-to-GDP ratio. Much attention has been paid to modeling the effects of natural disasters (including extreme weather events) and mitigation policies with a focus on fiscal instruments—including the use of carbon pricing as a necessary component of the policy mix in line with the Fund's expertise and preference for this policy. The Fund also has developed tools and models to analyze climate-related financial sector risks, as well as climate stress tests in FSAPs. Less attention has been paid to developing tools and models to assess adaptation policies and the impact of climate change on exchange rates and inflation, despite evidence that climate change can have significant macroeconomic impacts in these areas.

The analytical tools and models are of high quality, and the IMF has been transparent on their strengths and weaknesses. According to experts, Fund tools and models represent state of the art macro modeling and analysis. Many of them are mainstream general equilibrium models that are comparable to those of, and often developed in cooperation with, other international institutions, ministries of finance, central banks, or academics. Detailed documentation or user guides have been published for all major tools and models, and some of the models have been shared with member countries. More broadly, recognizing the need for transparency and the high level of public scrutiny of the Fund's work on climate-related issues, staff have presented analytical tools in academic and international forums, although not all models are publicly available to external researchers. Authorities held positive perceptions regarding the value added of these tools, and internal views also were positive, highlighting the unique expertise developed in climate modeling.

Nevertheless, there is room for improvement related to the feedback effects of climate onto the economy, country-level macroeconomic impacts, standardized metrics of climate-related financial risks, and tools and models to assess adaptation policies:

- **Feedback effects of climate onto the economy.** The Fund's tools and models do not yet sufficiently analyze the structural change of economies in response to climate change nor the second-round effects of climate on the economy. The recently developed ENV-FIBA model (Gross and others 2025), which was built to analyze climate impacts on the financial sector, can incorporate feedback loops in the framework if they are analytically determined and empirically estimated. The Fund could benefit from building on these efforts to incorporate such feedback loops into other analytical tools and models.
- **Country-level analysis.** Mitra and others (2025) highlight three important gaps related to country-level macroeconomic impact analysis, namely: (i) modeling certain impacts, such as the growth effects of changes to the frequency and intensity of extreme weather events; (ii) the difficulties of operationalizing tools and models without

BOX 4 (CONTINUED)

extensive expert support; and (iii) a deeper incorporation of climate-related considerations beyond carbon pricing or subsidy reforms.

- **Standardized metrics of climate-related financial risks.** The IMF's Monetary and Capital Markets Department (MCM) has developed tools and models to assess and manage climate-related financial risks, helped integrate climate risks into banking regulation and supervision, and supported the development of climate information architecture (notably, climate-related disclosures) as well as the development and issuance of sustainable debt instruments. However, the determination of climate-related financial risks across countries remains relatively ad hoc and inconsistent. The Fund could enhance the value added of its work in this area by developing standardized metrics of climate-related financial risks.
- **Tools and models to assess adaptation policies.** The Fund historically has had stronger expertise on domestic and global mitigation topics (e.g., fuel subsidy reform and carbon pricing) and, accordingly, developed a more comprehensive suite of tools and models in this area first. Over the past several years, however, the Fund has significantly strengthened and expanded its adaptation expertise in macrocritical areas. The Fund could enhance the traction of its analysis and advice on adaptation policies by using this expertise to further develop the suite of corresponding tools and models and enhance its cooperation with other international organizations where its expertise still is lacking.

Source: IEO.

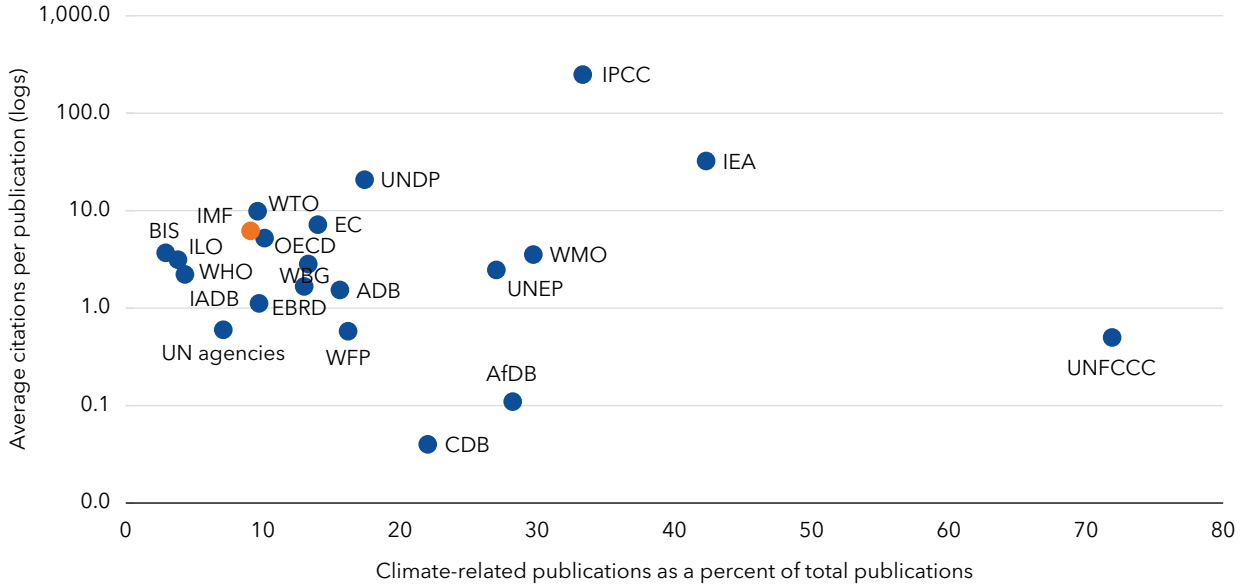
[1] A recent IMF working paper (Mitra and others 2025) provides an overview and takes stock of the tools and models applied by the Fund assessing the impact of physical climate risks as well as adaptation, transition, and mitigation policies. This box focuses on a key subset of the Fund's tools and models.

Demand and Value Added

The climate-related analyses in flagship reports have provided value added in various ways. First, in the view of many authorities, these chapters have had a lasting impact, raising awareness about the macrocriticality of climate change among policymakers, ministries of finance, and central banks, reinforcing the message that financial and monetary authorities have a role to play in addressing the macroeconomic implications of climate change. For these officials, the Fund's studies of the severe economic policy challenges created by climate change have been key to catalyzing action, complementing the analyses conducted at the bilateral level. Second, most surveyed authorities thought that coverage of climate-related issues in flagships, which they considered of good quality and used in internal documents, enhanced their understanding of the issues (91 percent) and had traction by contributing to policy formulation (81 percent), at least to a slight extent. Third, authorities and staff agreed that these chapters have triggered fruitful engagement both among domestic institutions and between authorities and the Fund. Looking forward, there is high demand from the membership for the Fund to continue to devote space in flagship reports to climate-related issues in adaptation, mitigation, and transition, which contrasts with the absence of dedicated chapters in 2024 and 2025.

The value added of the IMF's climate-related analytical work is also reflected in the relatively high citation of its climate-related publications (Figure 6). While other institutions and leading research centers conduct similar analyses, the Fund's work carries particular influence among member country authorities due to its credibility, technical authority, and close engagement with ministries of finance and central banks. The Fund's cross-country estimates of fossil fuel subsidies and analyses of green investment are among its most widely referenced climate-related outputs and have become key inputs to global policy debates on subsidy reform and the reallocation of public resources toward sustainable and equitable outcomes. Altogether, the Fund's research has positioned the institution as a credible and influential voice in global climate policy debates among scholars, policymakers, and other international organizations.

FIGURE 6. POLICY CITATIONS PER CLIMATE-RELATED PUBLICATION FOR SELECTED ORGANIZATIONS, 2021–25



Sources: Overton; Canseco, Gentle, and Pérez Verdía (2026).

Note: The average citations per publication are presented in logs to capture relative variation and to facilitate comparison across a wide dispersion of citation counts. ADB = Asian Development Bank; AfDB = African Development Bank; BIS = Bank for International Settlements; CDB = Caribbean Development Bank; EBRD = European Bank for Reconstruction and Development; EC = European Community; IEA = International Energy Agency; ILO = International Labour Organization; OECD = Organisation for Economic Co-operation and Development; UNEP = United Nations Environment Program; WBG = World Bank Group; WFP = World Food Program; WHO = World Health Organization; WMO = World Meteorological Organization; WTO = World Trade Organization.

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.

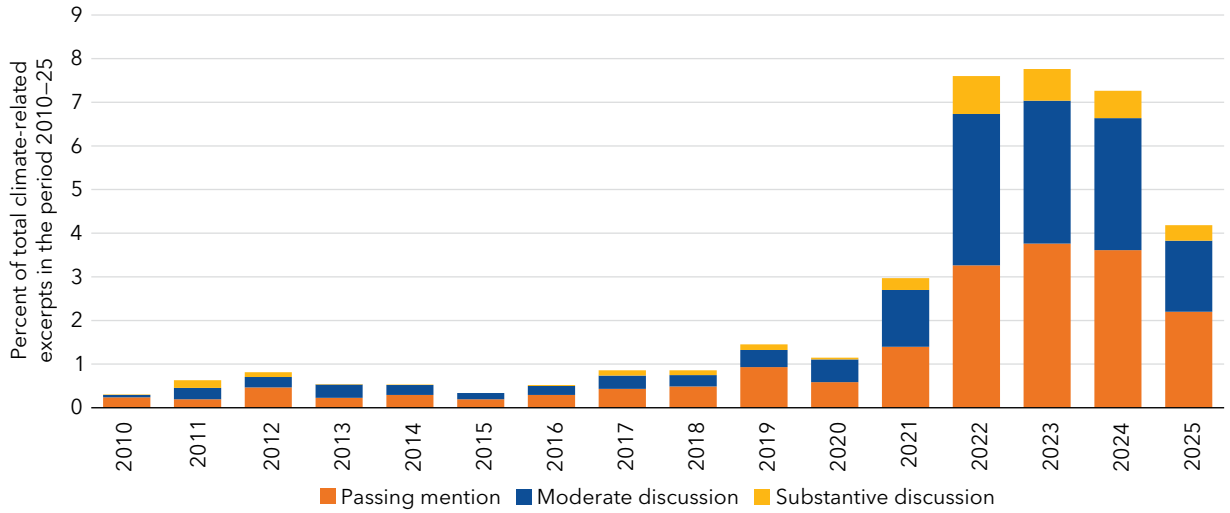
While the Strategy did not provide guidance on the integration of climate-related considerations in lending, it constituted a significant conceptual advancement. It acknowledged that Fund-supported programs could help build climate-resilient economies and financing could be provided when climate was 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.

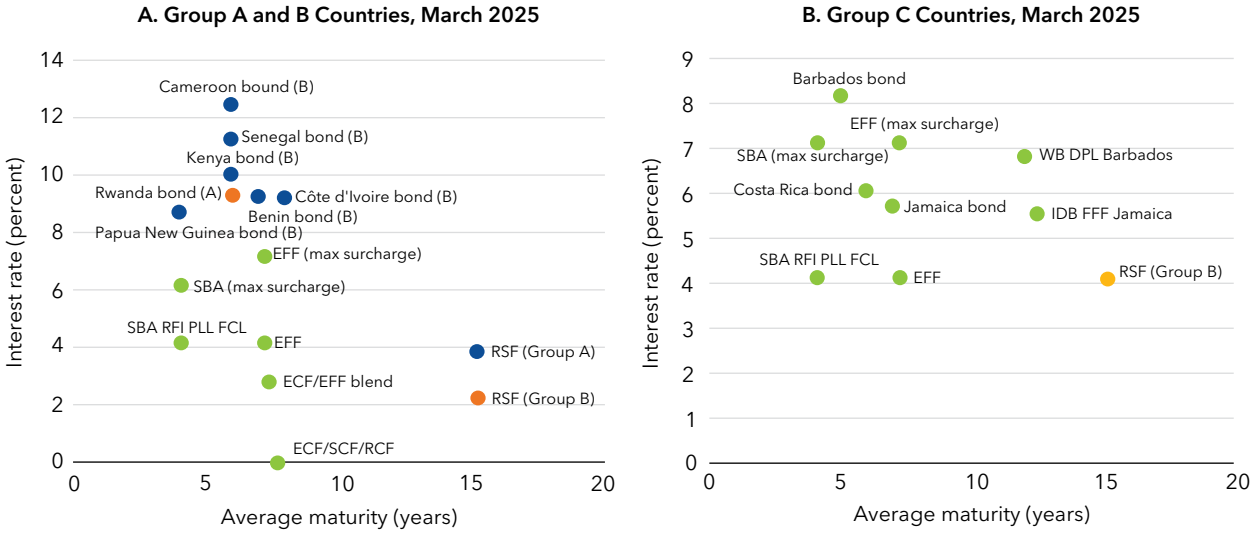
THE RSF

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.

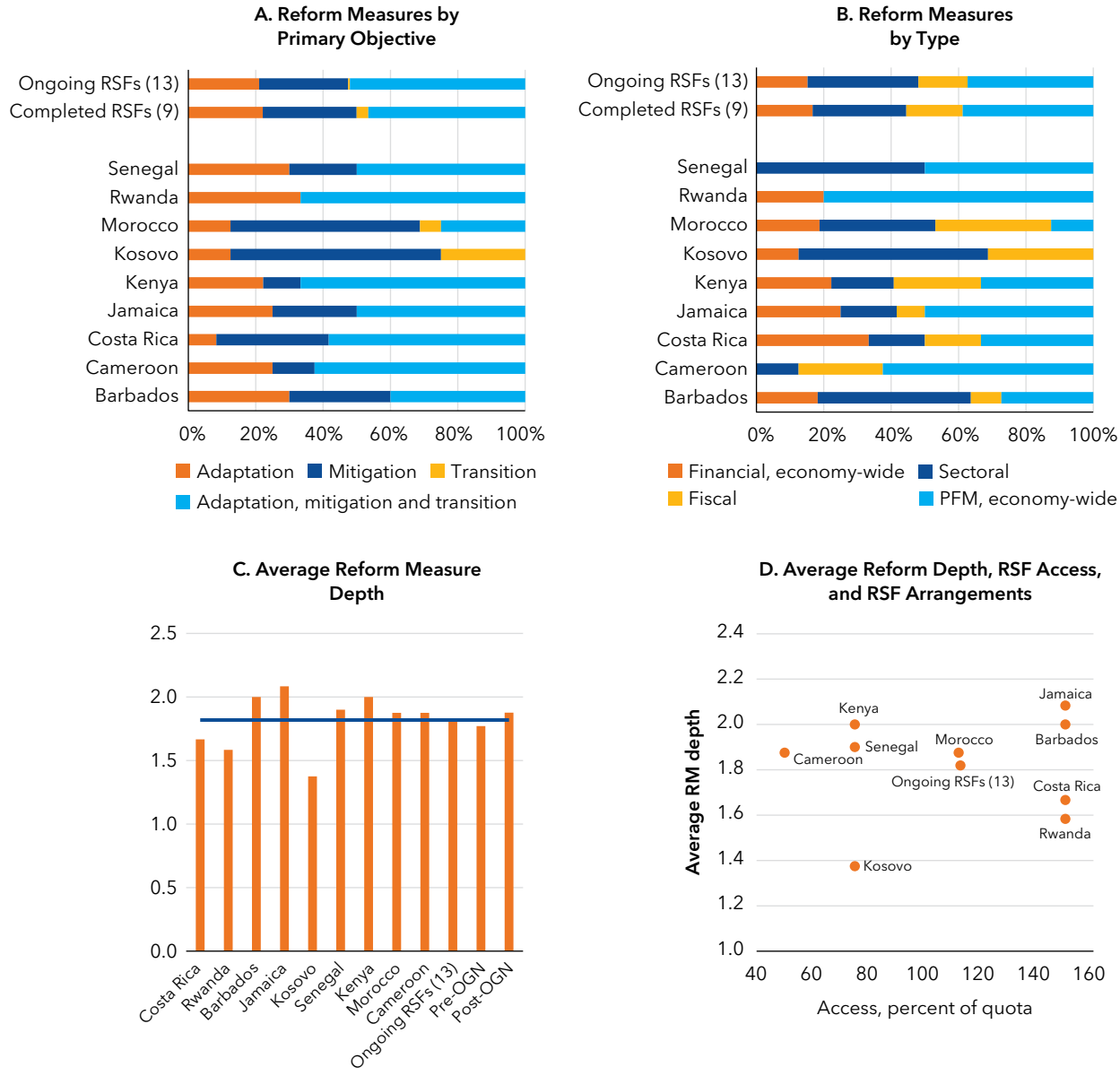
Thematic areas covered by RMs supported under the RSF are generally well-aligned with countries' climate agendas, consistent with the RSF OGN. The 2023 RSF OGN, updated in 2025, notes that RMs should support countries' efforts to meet climate commitments such as Nationally Determined Contributions (NDCs). 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.

5 CAPACITY DEVELOPMENT

Implementation

Successfully delivering climate-related CD has required a process of learning by doing. Starting in 2016, the Fund and the World Bank jointly developed and conducted Climate Change Policy Assessments, which were designed to help member countries develop their climate strategies and attract financing. This joint exercise was terminated in 2020, when the World Bank launched its independent Country Climate and Development Reports (CCDRs), leading the Fund to develop its own Climate Macroeconomic Assessment Program (CMAP) in 2021. In 2020, climate change was added to the list of "growth areas" determined by the Committee on Capacity Building, and provision of climate-related TA ramped up after the adoption of the Strategy and the operationalization of the RSF, which created extensive needs and shifted the focus of climate-related TA from surveillance to lending. This evolution required a process of on-the-job learning, involving the design of climate-related TA and relevant tools. The 2024 CD Strategy Review (IMF 2024e) further supported this process by highlighting the integration of climate change into the Fund's core CD areas to address macroeconomic and financial stability risks.

The IMF pivoted to targeted TA to accommodate high demand and insufficient resourcing. The Strategy envisaged certain quantitative objectives for the two main components of climate-related TA at the time: the CMAPs and climate-related single-country CD (largely to LICs and SDSs). However, the Augmentation only provided a portion of the resources needed to reach those objectives (see the section on Operationalization in Chapter 2). Moreover, the implementation of the RSF created large TA demands that were not foreseen in the Strategy. RSF pilot countries and others generally were interested in targeted TA rather than comprehensive CMAPs, even if it was streamlined. Consequently, the Fund pivoted to providing targeted TA and has not conducted another CMAP following the two pilots.[1] In parallel with TA, the Fund has increasingly used training as a key modality to mainstream climate change into CD, reflecting the cross-cutting and macrocritical nature of climate risks across core policy areas. While the Fund has provided a significant amount of climate-related TA and training, overall provision of climate-related CD seems

This chapter draws on the evaluation background paper by Chopra and Wojnilower (2026).

[1] As discussed in its 2023 Review (IMF 2023f), CMAPs were found to be much more resource intensive than typical TA missions, for both the Fund and the authorities, which led to a proposal to streamline TA around the Fund's comparative advantages: (i) mitigation and distributional impact analysis; (ii) PFM to assess the institutional readiness for climate change actions; and (iii) macro-fiscal implications of climate change policies. The rapid roll-out of the World Bank's CCDRs also played a role in the pivot away from the CMAP.

to have come up short of targets set in the budget augmentation.[2]

Notably, climate-related TA has been incorporated through an additive approach, integrating it in the IMF's foundational TA. The Fund has been guided by members' needs and priorities, taking account of differences in awareness about climate risks and interest in climate-related TA. An important strength of the Fund's climate-related TA is its integration in foundational TA. For example, the C-PIMA has been developed as add-on to the PIMA framework, climate change risks have been incorporated into previous work by FAD on fiscal risks and modeling, natural disaster risks have been incorporated into ICD TA on macroeconomic frameworks, and TA on carbon taxes and pricing has built on FAD's earlier work on tax policy and subsidy reform. This additive approach has kept the focus on areas of macroeconomic relevance within the Fund's expertise.

Thematically, TA has focused on fiscal management in line with members' demand and the IMF's comparative advantage. While the Fund's strategic framework for climate-related TA envisages macro-relevant work on financial, statistical, macroeconomic modeling, and legal issues, to date, most of the TA delivered has focused on issues related to fiscal policy and management, in line with the Fund's comparative advantage and driven by members' demand.[3] TA in fiscal management has supported domestic mitigation policies, green PFM and associated legal reforms, identification of fiscal risks related to climate change, climate-responsive PFM assessments, the C-PIMA, and other related analytical tools. In this respect, the MD's Global Policy Agenda for the Spring Meetings 2025 highlighted the importance of providing granular advice on fiscal policy and the Fund's continued support to countries seeking to integrate climate risks in their macroeconomic policies, including by building buffers, investing in resilience, and improving fiscal risk management (IMF 2025e).

Demand and Value Added

The provision of climate-related TA has grown in recent years, following demands from members. Climate-related topics have become an increasing area of demand for Fund TA, especially by countries experiencing immediate climate change consequences. In line with demand, climate-related CD spending grew steadily from 2.2 percent of direct country delivery in FY2021 to 13.1 percent in FY2024, with spending consistently exceeding departmental workplans due to high demand.[4] The share of climate-related TA has varied across regions because of differences in country priorities, needs, and policies, with the incidence of RSF arrangements being an important factor. As a result, the largest share of climate-related TA has gone to countries supported by the African Department, followed by those in WHD.

Members highly value climate-related CD, with some considering it the IMF's most valuable contribution. Country officials and staff are satisfied with the breadth and depth of TA providers' skills in climate-related matters, although it took time and learning to integrate new staff and areas. Evidence from surveys and interviews shows that they see TA as timely, relevant, well-tailored, and of high quality. Training courses, for example by ICD at the Regional Training Centers, have also been demand-driven, implemented effectively, and complementary to TA. These courses are not integrated with TA but there have been positive synergies via better- informed requests and familiarization of officials with TA tools, as well as by increased

[2] The Strategy estimated the cost of a CMAP as approximately equal to that of 8 additional single-country TA engagements. Thus, eliminating 5 CMAPs per year made resources available annually for an additional 40 single-country TA engagements, increasing their revised annual target output from 25 to 65. In practice, the Fund has conducted about 34 per year between FY2023 and FY2026.

[3] Climate-related TA in other areas has been more modest, given the novelty of some of the analytical frameworks required, data and capacity constraints, and the inter-agency collaboration required. The Fund, nevertheless, retains a comparative advantage on macro-relevant work on financial, statistical, macroeconomic modeling, and legal issues.

[4] Fund staff report that climate-related CD declined as a percent of direct country delivery in FY2025; however, it is unclear what caused the decline.

absorption capacity of TA.[5] Survey responses indicate that staff and country officials do not perceive climate-related TA to have significantly crowded out TA in other policy areas. Some staff, however, especially in Regional Technical Assistance Centers, were of the view that with priority given to climate-related TA, other PFM work was de-emphasized, for example on cash management, budget execution, expenditure management, and medium-term fiscal frameworks.

Alignment with Lending and Surveillance

Climate-related TA and RSF arrangements have been closely linked, although interdepartmental collaboration was uneven. Much of the climate-related TA provided in recent years has been associated with RSF arrangements (see Annex 8). Showing high complementarity, the link works in both directions; in some cases, TA requests were triggered and prioritized by the need to comply with RMs while, in others, TA predated and informed the design of RMs.[6] In this regard, some country officials noted the importance of consultations between country officials and Fund staff in identification of and launching TA projects, given their own lack of expertise. RSF arrangements are appreciated for better prioritizing climate-related TA needs and for accelerating delivery and implementation of TA, both from the Fund and through catalyzing TA from development partners. While in some cases CD departments were heavily involved in RM design, in others, it was left to country teams. Insufficient coordination in some arrangements led to unrealistic timetables for the delivery and implementation of TA, and/or to poorly specified RMs.

More generally, coverage and integration of climate-related TA in surveillance and program documents is driven by individual circumstances rather than a consistent approach.[7] In surveillance-only cases, the provision of climate-related TA has been more limited, driven by lower demand, country preferences, and reduced absorptive capacity in countries. However, even in countries where a C-PIMA has been conducted, integration of climate-related recommendations with Article IV reports is not entrenched.[8] In RSF countries, the specification of the TA diagnostic, programs, and providers was uneven. The inconsistent and variable coverage in staff reports suggests that the integration of climate-related TA in surveillance and lending, beyond the specification of RMs in RSF arrangements and subject to members' agreement, remains an area that needs improvement.

Collaboration

Collaboration on climate-related TA with multilateral and bilateral partners has generally been effective. The wide range of RMs has required the Fund to rely on other IFIs and foreign agencies to deliver TA outside its expertise. Experience shows that collaboration has been most effective when it was started early, ahead of the approval of the RSF; involved open discussion and data sharing; and was structured around the broader agenda of the member country; which enabled many climate-related issues at the

[5] Course participants showed a preference for in-person courses and especially appreciated the peer-to-peer learning dimension of the courses. On the negative side, recipients expressed some concerns regarding the tailoring of the courses and their effectiveness in building institutional capacity, dimensions in which training usually ranks lower than TA across all areas of CD.

[6] In Barbados, for example, one of the RMs under the RSF arrangement called for reforms to strengthen the integration of climate concerns into the PFM process, which was followed by a PIMA/C-PIMA diagnostic mission (IMF 2022a; 2024a). Meanwhile, in Rwanda, a C-PIMA was conducted before the RSF arrangement was approved and, together with the Bank's CCDR, led to several related RMs (IMF 2022g; 2022h; World Bank 2022).

[7] This shortcoming is not specific to climate-related TA, having been identified in the IEO's evaluation of *The IMF and Capacity Development* (IEO 2022). Moreover, some TA reports are not published and therefore cannot be covered in surveillance and lending staff reports. These findings, however, are based on published TA reports.

[8] On a positive note, the 2023 and 2024 Article IV staff reports for the Philippines recommended an update of the 2018 PIMA along with a C-PIMA to "facilitate the adoption of green PFM practices and construction of resilient infrastructure." This led to a subsequent 2024 TA mission and to including its recommendations in the 2025 Article IV consultation (IMF 2023d; 2024d; 2025c).

sectoral level being left to partners with the required adaptation expertise.[9] Even in areas where there is potential for overlap, such as green budgeting or PFM, coordination on the ground has worked well, anchored around the RSF arrangement when there is one, with development partners working typically with line ministries and the Fund with ministries of finance.

Experience also reveals some frictions. Some staff from MDBs had complaints in terms of the Fund starting consultations late, rushing the TA process (e.g., in the case of an RSF), expecting information to flow mainly toward the Fund, and insufficiently recognizing MDBs' expertise and on-the-ground presence. For their part, country officials noted that multiple TA missions, especially in the context of the RSF, resulted in a significant burden against the backdrop of limited capacity. Finally, some staff members were concerned that, due to lack of time, the collaboration necessary to integrate the Fund's TA in the broader framework of the members' needs was overlooked, reducing the effectiveness of TA. In some cases, staff also noted problems associated with the risk of "shopping" for TA provision across institutions, which is both a cause and a consequence of suboptimal coordination.

Internal collaboration on climate-related TA between departments has been positive but not easy. Collaboration between area departments and TA providing departments has been resource intensive, involving an opportunity cost that has sometimes been neglected. In many cases, TA departments, mainly FAD, have been involved in the design, monitoring, and implementation of RMs related to the TA provided.[10] ADs viewed the TA delivered to their countries and the support they received from TA departments to be adequate, albeit scarce. Collaboration between TA departments has, in a few cases, led to minor disputes, as these departments have their own analytical tools and models, which sometimes overlap.[11]

Monitoring and Traction

While there are examples of good follow-up and monitoring, the Fund's approach to them appears to be idiosyncratic rather than systematic.[12] In RSF cases, monitoring and follow-up is driven by assessments of compliance with RMs, and country teams sometimes lack the resources and expertise to do an adequate job. If TA recommendations are not part of conditionality, they are viewed as lower priority and follow-up receives even less attention, both from country authorities and Fund staff. Similarly, when countries exit an RSF arrangement, the availability of Fund TA is reduced, which has led to authorities' calls for more continued support and follow-up, and to a preference for Regional Capacity Development Centers' TA, which they perceived as more continuous and tailored. In non-RSF cases, climate-related TA recommendations are nonbinding, just as they are for TA on other issues, and follow up depends largely on country ownership.

To promote traction, the IMF has made efforts to align TA to countries' political economy circumstances. For much of the climate-related TA, its impact on policy formulation remains unclear, with limited evidence of concrete policy changes related to TA recommendations. This reflects a broader TA issue related to country ownership, which varies across countries and is influenced by

[9] An illustrative example is Jamaica, where the Fund began collaboration with the World Bank and the IDB in September 2022, about six months before the approval of the RSF arrangement in March 2023. The three institutions worked together on the diagnosis, information sharing, discussion of potential RMs, and the identification of TA areas that can support RSF goals and the agenda of the Jamaican government. This process resulted in the specification of each institution's TA support based on expertise and avoiding overlaps. In addition, the Fund team engaged with Global Affairs Canada (GAC) to further Jamaica's climate-related goals.

[10] TA linked to the RSF has moved progressively from a diagnostic focus in FY2022–23 to an increasingly even split with implementation support.

[11] The IEO evaluation of *The IMF and Capacity Development* previously found some overlaps and inconsistencies in CD delivery and fundraising responsibilities across departments, and recommended clarifying departmental roles and responsibilities vis-à-vis CD (IEO 2022).

[12] Insufficient monitoring, tracking, and follow-up is a general TA problem, as identified in IEO (2022).

factors such as the presence of an RSF arrangement and the degree of vulnerability to climate change. Staff noted that country circumstances are factored in when designing the climate-related TA—for example, by considering elections in implementation timetables, including measures to protect vulnerable groups, or adapting tools such as the Climate Policy Assessment Tool (CPAT) and the Q-CRAFT to country contexts. Nevertheless, in many countries, significant impediments remain, such as capacity constraints or, relatedly, difficulties coordinating the multiplicity of domestic institutions involved, including sectoral level ministries and agencies that have varying levels of commitment, leading to unwieldy TA agendas.

6 MAIN FINDINGS

Recognizing the climate change threat and following growing demand from the membership, the IMF launched a new approach to its climate-related work in 2021–22. Building on previous work, the Fund moved from an ad hoc to a more systematic approach, incorporating climate-related considerations first into surveillance and CD, with the approval of the Strategy, and shortly after, into its lending framework, with the establishment of the RST. The new approach is rooted in the Fund's mandate. For surveillance, it is structured around the concept of macrocriticality and the need to ensure the effective operation of the IMS. The RST is designed to help members address prospective BOP risks from long-term structural challenges. Climate-related CD is provided based on members' demand and when consistent with the Fund's purposes.

The IMF's climate-related work has brought high value added to many of its members and the GCA. Member countries appreciated contributions across surveillance, lending, CD, analytical work, and advocacy activities. This work was highly demanded and considered to provide significant value added, achieve traction, and improve the understanding of climate-related policies and issues. Among country groups, value added was highest for LICs, who especially appreciated the Fund's RSF and TA, as well as its work on analytical tools and models, data, and climate advocacy. Among advanced economies, flagship reports, research, and analytical tools and models were the most appreciated, while emerging economies added Article IVs and SIPs to the most appreciated activities (see Annex 7). In addition, the Fund contributed holistically to the GCA, staying within its mandate and playing a unique role at the intersection of climate change and its members' macroeconomic and financial frameworks. There remains potential for further Fund contributions by exploiting the Fund's institutional comparative advantages, including its near universal reach, technical and analytical capacity, convening power, and central position in the global financial safety net.

The climate approach was implemented broadly as intended, albeit with a learning curve. Early implementation under the Augmentation was associated with overspending, which moderated toward the end of the period. These developments reflected higher-than-anticipated workloads linked to the rollout of the approach itself, combined with strong demand for RSF arrangements, CD, surveillance, and analytical outputs. Weak coordination in the initial phase, which allowed initiatives to proliferate, and insufficient monitoring mechanisms, as noted by the IEO (2024), compounded these pressures. While some resource reallocation occurred, particularly in departments most involved in RSF and RST activities and during the early years, there was no significant crowding out overall and climate-related work did not have a meaningful impact on the quality of the Fund's operations. Control and coordination mechanisms improved over time and operated more effectively toward the end of the evaluation period.

The launch of the new climate approach would have benefited from greater strategic clarity. The decision on the Strategy left several implementation issues to be addressed by staff and management. In practice, the subsequent Augmentation effectively scaled back the resources and targets originally envisaged. In addition, internal and external communications surrounding the launch lacked clarity. While messaging appropriately emphasized urgency and ambition, it was insufficiently nuanced regarding the Fund's specific role, scope, and modalities of engagement. This contributed to high expectations, both within and outside the Fund, and reinforced perceptions that the institution might be overstretching its mandate and/or diverting attention from other areas of work—sparking resistance that could likely have been mitigated with clearer initial framing.

Staff's performance and incentives were affected by this lack of clarity, the scarcity of resources, and shifting institutional priorities. Staff understood they had received the assignment to urgently place greater emphasis on climate-related issues and, for the most part, they responded with strong motivation, leading to over-delivery in some cases. At the same time, the combination of the Augmentation, which tempered the Strategy's ambition, and the steep increase in the workload were strongly felt in some departments. Many staff felt rushed into new issues without adequate expertise, resources, and planning, although the conditions improved over time. Toward the end of the evaluation period, staff's incentives were further affected by the reduction in support from some members, the curtailed institutional signaling, and the streamlining exercise launched by management, contributing to renewed uncertainty regarding the future relative weight and scale of the Fund's climate-related work.

The IMF has made a remarkable effort to integrate climate-related issues into its operations and traditional core policy areas. In surveillance, coverage of climate-related issues concentrated on fiscal and, to a lesser extent, financial policies. Climate-related CD also focused on fiscal policy and management, in line with members' main policy challenges, and successfully embedded climate-related considerations in the Fund's foundational TA curriculum. The RST has reinforced the lending toolkit by facilitating support for members' longer-term structural needs and, for the most part, RSF arrangements have focused on measures within the Fund's areas of expertise. Both authorities and staff thought that climate-related issues have been integrated into the Fund's traditional core policy areas across activities. While much has been achieved in integrating these considerations effectively and efficiently, the learning process remains ongoing. Previous experiences with integration of substantive areas—e.g., the expansion of financial and macro-financial coverage following the Global Financial Crisis (see IEO 2019)—show how complex reaching a new "steady state" can be.

Consolidating the gains of the climate-related work and further enhancing its efficiency will require sustained institutional support. Following an initial phase of rapid expansion, the shift in institutional priorities has swung the pendulum in the opposite direction, with the risk of scaling back climate-related work to a degree that may weaken institutional capacity and constrain the delivery of highly demanded and value-adding services, including in the traditional core policy areas, which need to be informed by climate-related considerations. Most country authorities consider that the Fund should at least retain the level of engagement on climate-related issues of the past five years, given their priority and the scale of their expected macroeconomic impact. By contrast, members holding about one-third of quota share favor a scaling back of engagement, arguing for a narrower interpretation of the Fund's mandate in a context of constrained resources and given the opportunity cost of allocating resources to climate-related work rather than to other priorities. The Executive Board endorsed the recommendations of IEO (2024), which proposed a framework to inform such strategic choices that the Fund currently is implementing in the context of the ongoing CSR.

Surveillance

The IMF delivered good quality and tailored advice on climate-related issues following members' demand. As demand grew, the Fund expanded its

climate-related coverage in bilateral and multilateral surveillance. The Augmentation targets were exceeded for Article IV reports, while coverage was in line with those targets for FSAPs, and below them for flagship reports, especially at the end of the evaluation period. This was supported by the development of state-of-the-art analytical tools and models, often in collaboration with other institutions. These efforts were valued by country authorities and had traction, with demand for future work remaining high.

Several issues affecting surveillance and analytical work deserve attention:

- **Macrocriticality.** The Fund's bilateral surveillance on climate-related issues is anchored on the concept of macrocriticality, which has provided flexibility for country-specific treatment. However, its operationalization remains difficult, making it challenging to use as a filter. While the 2022 Guidance Note suggests that Article IV consultations include an assessment of the macrocriticality of climate-related issues, such an assessment often has been only indirectly or implicitly included in staff reports, raising questions about how the concept is and should be applied. IEO (2024) provides a detailed analysis of the open questions on the Fund's principles of engagement, including macrocriticality, depth, and frequency of coverage, which are particularly relevant for climate-related work.
- **Tailoring of coverage.** While tailoring was broadly appropriate, a significant part of the membership would prefer some rebalancing of the focus of surveillance analysis and policy advice from domestic mitigation to adaptation and the global transition to a lowcarbon economy, especially for low-emitters and countries highly exposed to fossil fuel demand shocks. At the same time, while carbon pricing represents the first-best mitigation policy for the Fund, many countries would prefer to receive further advice on alternative options that they deem more feasible.
- **Analytical capacity.** The Fund has developed numerous high-quality analytical tools and models to assess the macroeconomic impact of climate change and related policies. However, some gaps remain related to the feedback effects of climate onto the economy, country-level macroeconomic impacts, standardized metrics of climate-related financial risks, and tools and models to assess adaptation policies.
- **The assessment of financing needs.** Many Article IV reports did not explicitly estimate the financing needs for climate goals or sufficiently incorporate them in DSAs, often treating them as "aspirational." Moreover, reports frequently mentioned that fiscal space was constrained but did not articulate the trade-offs between long-term spending needs and fiscal sustainability, nor did they highlight the distributional implications of climate-related policies, echoing findings from IEO (2025). This gap raises questions about the realism of fiscal projections and the alignment of surveillance and analytical work with the membership's priorities.

Lending

While the Fund recognized the relevance of climate-related considerations for lending, the absence of guidance outside the RSF resulted in limited and uneven integration into non-RSF arrangements. The progressive introduction of climate-related macroeconomic risks and impacts in the Fund's work hardly permeated program design outside the RSF. Although climate-related issues have featured more prominently in program discussions since 2021, there is no operational guidance on how to include them, and they were rarely incorporated as explicit program objectives or conditionality. This limited integration reflects the challenge of reconciling the short and medium-term horizons of traditional Fund lending with the inherently longer-term nature of climate needs and policies, as well as a de facto compartmentalization of climate-related issues, which are predominantly handled through RSF arrangements.

The RST—and its facility, the RSF—has become a highly valued instrument, triggering sustained demand from members and robust implementation. Beyond providing financing on attractive terms through efficient procedures, authorities in recipient

countries particularly valued several RSF outcomes, including that it: (i) offered a structured framework to support the selection, prioritization and sustained implementation of climate-related reforms and their integration with macroeconomic policies, which would be more difficult to achieve under a UCT arrangement; (ii) enabled timely, actionable guidance, and support from the Fund and other partners; and (iii) created a dynamizing and disciplining effect by sustaining and accelerating reform momentum, coordinating key stakeholders, and playing a signaling role that reinforced both domestic and external credibility of the countries' green agendas. Implementation of RSF arrangements has been strong, supported by generally effective coordination with partners.

Evidence from the RSF arrangements analyzed points to several areas for improvement:

- **Length of RSF arrangements.** The short duration of RSF arrangements, often constrained by the remaining life of the accompanying UCT arrangement, seems insufficient for implementing complex measures. Shortness hampers the ambition and depth of the RMs and affects implementation, forcing a sometimes unrealistically rapid pace or straining the collaboration channels with partners for monitoring and implementation.
- **Reform measures.** While generally well aligned with countries' climate agendas, RMs tended to favor mitigation over adaptation policies. The depth of RMs was lower than expected and access levels higher than initially envisaged. There was also a gap in the assessment of RMs' criticality in terms of their impact on prospective BOP stability. Additionally, some RMs fell far from the Fund's traditional areas of expertise, creating implementation and monitoring challenges. More recent arrangements, however, have started to address these issues.
- **Execution.** Gaps and inconsistencies emerged in the preparation, design, and post-program monitoring stages. In particular, while engagement with partners was broadly positive, earlier engagement and greater clarity would have improved efficiency and reduced coordination frictions and asymmetrical collaboration concerns. In addition, post-program monitoring was at times insufficient, prompted by the lack of guidance and the reduction in available resources following the completion of RSF arrangements.

The experience with RSF arrangements also raises important questions. First, the requirement to have a concurrent UCT arrangement remains one of its most contested features. Some stakeholders and contributors view it as essential to ensure strong policy safeguards, preserve the reserve asset status and sustainability of RST contributions, prevent facility shopping, and maintain alignment with the Fund's mandate. By contrast, some authorities and external stakeholders argue that this requirement has deterred potential users—particularly among SDS and FCSs—due to capacity constraints to implement both arrangements simultaneously or to concerns about the stigma often associated with a UCT arrangement. Second, it remains too early to assess whether the RSF is meeting expectations on its catalytic role. While there is some evidence of positive effects on reform implementation and official financing, evidence of a meaningful impact on private financing is limited and inconclusive. Third, strong and sustained demand and high access levels have led to rapid utilization of RST resources. Latest staff's baseline projections moderate demand and suggest that pledged loan resources could meet needs through the current drawdown period (November 2030). Uncertainty about future demand, nevertheless, underscores the need to closely monitor the adequacy of RST lending resources, including the scope for further SDR channeling.

Capacity Development

The IMF's climate-related CD is highly appreciated, demand driven, and well-tailored. Following strong demand from members, the Fund has increased its provision of climate-related CD, in many cases linked to an RSF arrangement. Notwithstanding a learning process of progressive adaptation, CD was generally of high quality and well-tailored to recipients' needs, with some authorities considering it the most value-added aspect of the Fund's climate-related work.

There are two main contributing factors to this success: (i) climate-related TA was embedded in the traditional macro-foundational TA provided by the Fund; and (ii) TA is often based on a C-PIMA and centered on areas where the Fund has a comparative advantage, mainly on fiscal issues, which was enabled by the Fund's capacity to rely on partner institutions for areas beyond its expertise.

Experience with CD also points to shortcomings that warrant attention:

- **Alignment of TA with surveillance and lending.** Despite the strong connection between TA and RSF arrangements, CD departments' engagement in the design and implementation of RMs has been uneven, and the integration and coverage of climate-related CD in surveillance and program documents was inconsistent. These problems have tempered the effectiveness of TA.
- **Implementation and monitoring.** TA implementation was hindered by the large number and complexity of recommendations, and by insufficient planning to align available resources with targeted outputs. Follow-up and monitoring activities were not systematic, particularly outside the program context. Relatedly, the traction of climate-related CD, understood as its translation into policy making, and the sustainability of its implementation remain unclear. These challenges apply to broader CD areas, beyond climate-related issues, and are linked to questions such as country ownership or political support. In the climate context, they are further compounded by limited awareness of climate risks and reforms and difficulties in intergovernmental coordination.

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. T**he 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

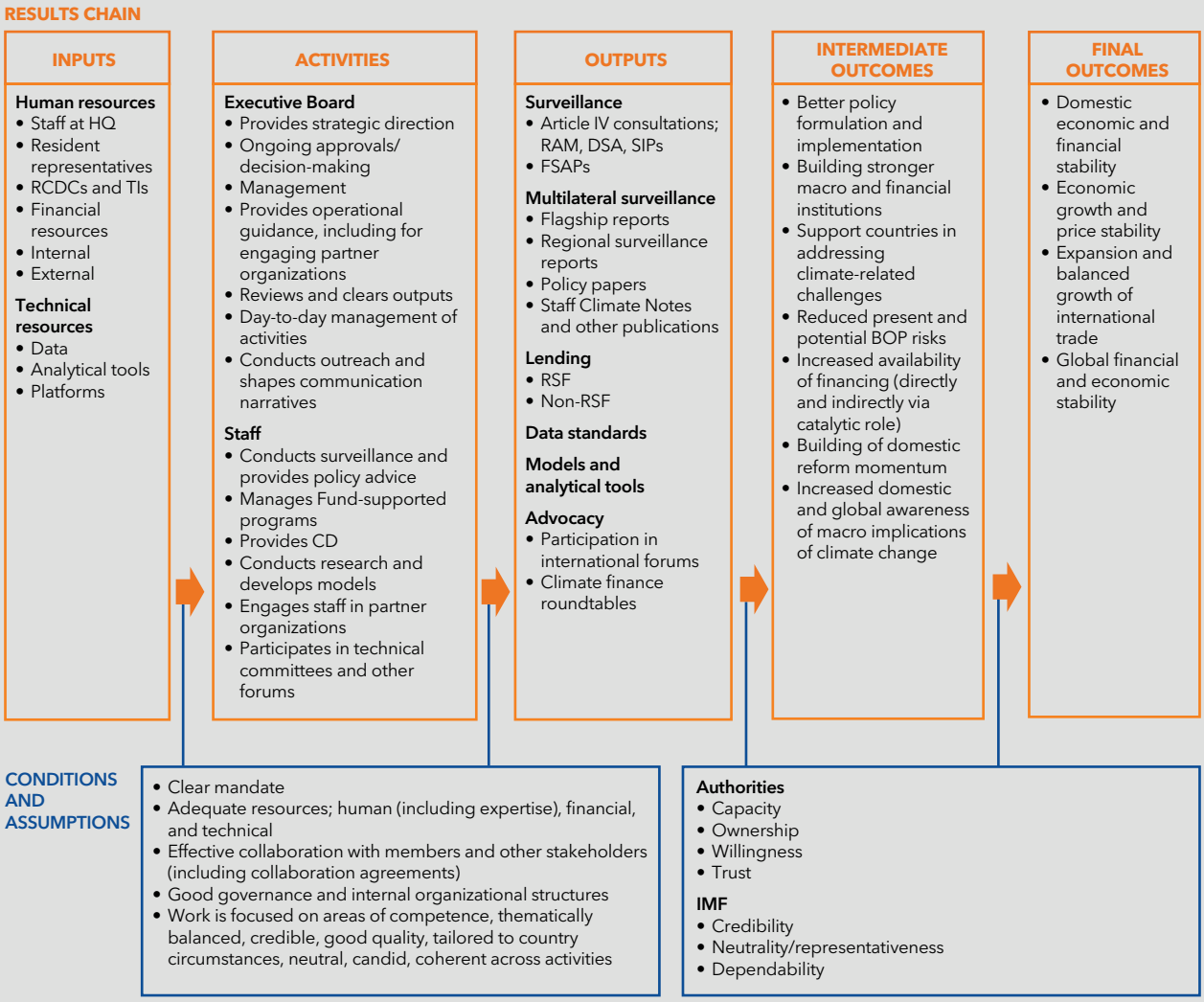
These recommendations fit within the scope of the climate approach and can largely be implemented under the current guidelines or as part of ongoing and planned policy review exercises. Recommendation 1 can be addressed through enhanced application of the 2022 Guidance Note and within the ongoing CSR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

ANNEX 1

OVERALL THEORY OF CHANGE FOR THE IMF'S CLIMATE-RELATED WORK

FIGURE A1.1. OVERALL THEORY OF CHANGE FOR THE IMF'S CLIMATE-RELATED WORK



Note: BOP = balance of payments; CD = capacity development; DSA = Debt Sustainability Analysis; FSAP = Financial Stability Assessment Program; HQ = IMF headquarters; RAM = Risk Assessment Matrix; RCDC = Regional Capacity Development Center; TI = training institute; SIP = Selected Issues Paper.

ANNEX 2

ABSTRACTS OF BACKGROUND PAPERS

Climate Change in IMF Surveillance

Ulrich Volz and Joshua Wojnilower

This background paper examines how climate-related issues have been incorporated into the IMF's surveillance and analytical work since the 2021 Climate Strategy, including in Article IV consultations, Financial Surveillance Assessment Programs (FSAPs), and flagship reports as well as analytical tools and models. It finds that climate-related surveillance expanded rapidly, largely in response to member demand, but that coverage has been uneven across policy domains and country contexts, with a strong emphasis on fiscal and, to a lesser extent, financial sector issues. Looking ahead, strengthening the effectiveness of climate-related surveillance will depend on greater operational clarity, more systematic integration with debt sustainability and risk analysis, improved treatment of financing needs, and enhanced tailoring of analysis and policy advice to country circumstances.

Climate Change in IMF Lending

Andrea Arevalo and Chris Lane

This background paper evaluates how climate-related considerations have been integrated into the Fund's lending toolkit, focusing on both the traditional Fund-supported arrangements—where operational guidance remains limited and practice is uneven—and the Resilience and Sustainability Facility (RSF) under the Resilience and Sustainability Trust (RST). It assesses the design and early implementation of the RSF, including key dimensions such as the demand and financing terms, the design and implementation of reform measures, its catalytic role, and collaboration with partners. Looking ahead, the paper outlines the key issues that could shape potential improvements for the RST as expectations and demand continue to evolve.

Climate Change in IMF Capacity Development

Ajai Chopra and Joshua Wojnilower

This background paper assesses the early experience with the IMF's climate-related capacity development (CD) since the 2021 Climate Strategy. The paper evaluates key dimensions of this experience, including the clarity of objectives and boundaries, alignment with surveillance and lending—particularly under the RSF—the effectiveness and implementation of TA, monitoring and follow-up to support traction, coordination with partners, and the adequacy of skills and resources. The analysis finds that climate-related CD largely has focused on fiscal policy and public financial management, reflecting strong country demand and the Fund's comparative

advantage. Looking ahead, strengthening the effectiveness of climate-related CD will require more systematic integration with surveillance and lending, stronger follow-up and monitoring, and continued attention to coordination and resource constraints.

The IMF's Climate Change Work: Institutional Issues

Dan Citrin and Carmen Rollins

This background paper examines how the IMF organized, resourced, and managed the expansion of its climate-related work following the adoption of the new approach to climate. It focuses on how climate objectives were operationalized across the institution, including through the FY2023–FY2025 Budget Augmentation and the rollout of the Resilience and Sustainability Trust (RST) and the Resilience and Sustainability Facility (RSF). The paper considers how these developments shaped resource allocation and internal coordination, the distribution of responsibilities across departments, and the mobilization of budgetary and human resources. Looking ahead, sustaining the Fund's climate engagement will depend on balancing continued strategic clarity, effective coordination, attention to resource constraints and risk management.

The IMF's Role in the Global Architecture for Combating Climate Change

Gonzalo Canseco, Kelsie Gentle, and Carlos Pérez Verdía

This background paper examines the IMF's role within the evolving global climate governance architecture, since its more formal integration in 2021. Using a schematic framework organized around five dimensions—structures and institutions, scientific basis, legitimacy and authority, implementation, and accountability and transparency—the paper analyzes how the Fund contributes to this architecture through its main activities (surveillance, lending, and capacity development) and advocacy. The paper finds that the Fund has leveraged its comparative advantages and collaborated with other institutions, while operating within its mandate. Looking ahead, the IMF's continued effectiveness will depend on an enabling environment and sustained membership support.

ANNEX 3

OPERATIONAL DATA

TABLE A3.1. SUMMARY TABLE OF THE CLIMATE STRATEGY AND BUDGET AUGMENTATION DELIVERABLES

TYPE OF CLIMATE-RELATED POLICY CHALLENGE AND OBJECTIVES	CLIMATE STRATEGY TARGET	BUDGET AUGMENTATION TARGET
Article IV consultations	**60/year**	**45–50/year**
Adaptation and resilience building (60 climate-vulnerable countries)	Every 3 years	Every 4 years
CMAP (adaptation)	10/year	5/year
Without CMAP (adaptation)	10/year	10/year
Mitigation (for largest 20 emitters)	Every 3 years	Every 3 years
In-depth coverage (mitigation)	6–7/year	6–7/year
Transition management to a low-carbon economy	Cover all countries every 5–6 years	Prioritized by need
In-depth coverage (transition)	8–9/year	24–28/year
Standardized coverage (transition)	25/year	
FSAPs	All FSAPs, based on an assessment of the materiality of climate risk	Two thirds of FSAPs (about 8/year)
Flagships (WEO, GFSR, FM)	1–2 chapters/year	1–2 chapters/year
REOs	1–2 chapters/year	Climate-related work in regional surveillance reports would also be significantly expanded.
Policy Papers	1–3/year	1 additional Board paper/year complemented by a climate note series
Staff Climate Notes	3–7/year	
Single-country TA	87/year	25/year
Fiscal issues	10/year	-
Financial sector issues	30/year	-
Climate data	20/year	-
Macro modeling	15/year	-
Legal and financial integrity issues	12/year	-
External training	Online course on the macroeconomics of climate change: 5–6/year Micro-learning interactive videos: 10	A climate-related macroeconomic course; and climate modules included in existing courses, with supporting online tools and webinars
Internal training	Climate 101 course: Mandatory Topic-specific "Climate bootcamps" Green Shoots series	"Climate 101" course and a "Climate Bootcamp."

Sources: IMF (2021b; 2022b).

Note: CMAP = Climate Macroeconomic Assessment Program; FM = Fiscal Monitor; FSAP = Financial Sector Assessment Program; GFSR = Global Financial Stability Report; REO = Regional Economic Outlook; WEO = World Economic Outlook.

ANNEX 4

ENTERPRISE RISK MANAGEMENT

This annex provides an overview of the enterprise risks associated with the IMF's climate-related work during the evaluation period, in the status quo, and how the recommendations would address them. It also covers the risks associated with the recommendations and identifies the residual enterprise risks for the Fund associated with those recommendations. It broadly follows the templates for assessing enterprise risk provided by the IMF's Office of Risk Management and outlines risks associated with the IMF's climate-related work.

The expansion of the IMF's work on climate led to potential enterprise risks in several areas: financial, business, operational, reputational, and strategic. Many of these risks were discussed and considered by the institution, and mitigation measures were proposed, throughout the development and implementation of the new approach to climate.

RISKS DURING THE EVALUATION PERIOD AND STATUS QUO

Reputational and strategic risks. These risks are mainly associated with the Fund's level of engagement on climate-related issues. At one end, the Fund could have fallen short, failing to adequately support members with their needs in this area and losing the trust of the international community. At the other end, the Fund risked overextending its mandate and budget. While some internal interviewees were concerned with the Fund going too far during the expansion phase, the majority view now is that the streamlining exercise and the shift in the priorities of part of the membership have tilted the risk toward the Fund reducing its work on climate related issues to the point of eroding its analytical capacity, which would affect the provision of services demanded by the membership. Successfully managing these risks will depend on the Fund's ability to adjust and adapt effectively as well as balance members' priorities and its mandate. A second source of reputational risk relates to finding a balance in the focus of the Fund's climate-related work between mitigation—where the Fund has significant expertise but member demand is lower—and adaptation—where the Fund has less expertise but member demand is stronger—to prevent perceptions of imbalance or overreach. As the Fund has broadened its knowledge of climate-related issues and increased attention to adaptation policies, this tension has diminished. However, concerns remain regarding inconsistent coverage, a perceived lack of evenhandedness, and ambiguity about the Fund's climate role.

Business risks. The novelty and intensity of climate-related work generated business risks through several channels. The initial limitation of expertise and analytical tools risked lowering the quality of advice. This risk increased when activities ventured further from the traditional core areas and coordination with partners, who were to provide complementary expertise, did not work as expected. These risks were reduced as the Fund developed its own expertise, better understood its role in the climate field, and strengthened cooperation with partner organizations. However, unclear

guidance on macrocriticality and unmet demand for further tailoring of country work continues to pose a threat to the quality, consistency, and traction of climate-related work and advice in surveillance, lending, and capacity development (CD).

Operational risks. The rapid expansion of climate-related activities, led by strong demand for surveillance, lending, and CD, put pressure on Fund operations and internal processes. Resource constraints were felt across departments, acutely in some of them, which led to risks of crowding out. Human capital risks emerged in the form of uneven workloads, lack of expertise, and the integration of new hires. Risks also emanated from the lack of adequate internal structures, planning, tracking, and monitoring of activities, leading to some inefficiencies. While the risks associated with human capital and other resources as well as with internal structures seem to be reduced by the learning and rationalization process, operational inefficiencies and the lack of clarity still felt by staff pose a risk. Resource constraints, while diminished, are still binding.

Financial risk. While climate-related work generates little immediate financial risk for the Fund, the adequacy of the RST lending resources will need to be monitored as demand for the RSF continues to be high. The interaction of sustained demand, access levels, and program duration could elevate risks to accessing the RSF.

RISK MITIGATION

The three recommendations mitigate several level-1 enterprise risks, namely in the areas of business, operational, financial, reputational, and strategic risks associated with the status quo (Table A4.1). Given its early-stage character, the evaluation does not make recommendations on the future pace and ambition of the IMF's work on climate-related issues, which should be decided in the context of institutional processes, although it provides valuable information for those discussions. While additional recommendations were considered for this evaluation, the three proposed recommendations mitigate the most critical risks to the institution. The magnitude of the residual enterprise risks after the implementation of endorsed recommendations will depend on how they are translated into a Management Implementation Plan (MIP) and how that MIP is implemented. Mitigation for those residual risks are therefore outside the scope of this evaluation.

RISKS ASSOCIATED WITH IMPLEMENTING THE RECOMMENDATIONS

Implementing the IEO recommendations would generate minor and temporary risks associated with the transition phase. The implementation of Recommendation 1 could lead to business and operational risks derived from operating in a slightly different framework and from fulfilling somewhat different requirements. The implementation of Recommendation 2 may lead to similar risks and, more specifically, a more efficient RSF may trigger greater demand for the facility, increasing in turn the financial risk for the RST. Recommendation 3 could increase operational risks, given increased demand for coordination across departments and with partner organizations.

TABLE A4.1. ENTERPRISE RISK MATRIX

RISK	RISKS TO THE IMF WITHOUT THE PROPOSED RECOMMENDATIONS	RECOMMENDATIONS THAT MITIGATE THE RISK	RESIDUAL RISKS (AFTER IMPLEMENTING THE RECOMMENDATIONS)
Reputational	Concerns about the scope, tailoring, follow-up, and methodologies used for the Fund's climate-related work across surveillance, lending, and CD may lead to questions regarding the quality, consistency, and evenhandedness of this work, in turn affecting perceptions of the Fund's credibility and objectivity. The Fund's reputation may also be affected by perceptions of under- or over-responding.	**Recommendations 1, 2, and 3** Implementing the recommendations will help define the scope of the Fund's climate-related work, allowing for a better balance of membership needs and demands. It will allow for more tailored coverage in surveillance, a more effective and sustained RST, clearer consideration of climate-related issues in Fund lending, and increased CD effectiveness, to reinforce the credibility and objectivity of the Fund's work.	Clarification of the scope of climate-related work and quality, tailoring, and effectiveness may not completely satisfy members' evolving needs, especially considering the early-stage character of the evaluation and the relatively recent adoption of the new approach to climate-related issues.
Strategic	The risk of balancing members' needs and demands with institutional priorities will remain. Surveillance, lending, and CD may be perceived as not sufficiently adapting to and addressing the evolving macrocritical risks affecting members. These risks could translate into questions about the fulfillment of the Fund's mandate and/or a loss of confidence among the membership. Insufficiently timely or relevant support on critical structural issues could, over time, affect members' engagement with and confidence in the institution.	**Recommendations 1, 2, and 3** Implementation of these recommendations will increase the value added, effectiveness, and tailoring of surveillance, lending, and CD, strengthening mandate delivery and building trust.	The challenge will remain to continuously align activities with members' evolving preferences and demands.
Business	The macrocriticality of climate-related issues will continue to be difficult to implement and there may be deficiencies in the tailoring and analytical depth of surveillance. Duration, design, collaboration, and monitoring issues can affect the performance of the RST. The traction and effectiveness of CD will remain below potential.	**Recommendations 1, 2, and 3** By implementing these recommendations, the Fund will better integrate climate-related issues into surveillance and capacity development, allowing for more tailored country analysis and analytical accuracy. It will reduce RSF implementation risks and clarify the integration of climate-related issues in non-RSF arrangements. CD's traction and effectiveness will be strengthened.	The assessment of macrocriticality and the tailoring of advice will remain open to criticism, as they still will be dependent on judgment, data quality, and uncertainty. Ownership, capacity, and political economy factors will continue to impact the implementation, effectiveness, and traction, of lending arrangements and CD.
Operational	Remaining inefficiencies in operational processes for managing the Fund's climate-related work will affect delivery and impact across activities.	**Recommendations 1, 2 and 3** Clarifying the scope (in many cases narrowing), communications, and delineation of responsibilities will reduce risks to operational processes and human capital. Specially, implementing Recommendation 3 is expected to improve the integration of processes across activities.	As operational demands evolve, there will be a need for sustained adaptation of internal processes, human capital, and systems.

ANNEX 5

RST AND RSF: FEATURES AND USE

The Resilience and Sustainability Trust (RST) is a loan-based trust, broadly similar to the Poverty Reduction and Growth Trust (PRGT). RST resources are mobilized on a voluntary basis from members with strong external positions who wish to channel their SDRs or freely usable currencies to support low-income and vulnerable middle-income countries. The financial structure of the RST helps maintain the reserve asset status of these contributions, operationalized through a Loan Account, a Reserve Account, and a Deposit Account. The main features of the RSF, the facility associated with the RST, are as follows:

- **Eligibility.** The following 143 Fund members are eligible to request RSF support: all PRGT-eligible low-income countries (70 countries); all small states (population under 1.5 million) with per capita Gross National Income (GNI) below $30,125 (equivalent to 25 times the 2021 International Development Association (IDA) operational cutoff of $1,205); and all middle-income countries with per capita GNI below $12,050 (10 times the 2021 IDA operational cutoff).

- **Qualification.** To qualify for an RSF arrangement, a member needs: (i) a package of high-quality policy measures consistent with the purpose of the Trust, i.e., climate or pandemic preparedness measures that contribute to prospective BOP stability; (ii) a concurrent Fund Upper Credit Tranche (UCT) program, i.e., Stand-By Arrangement (SBA), Standby Credit Facility (SCF), Extended Fund Facility (EFF), Extended Credit Facility (ECF), Policy Support Instrument (PSI), Precautionary and Liquidity Line (PLL), or Flexible Credit Line (FCL) as a safeguard supporting the member's capacity to repay RSF loans; and (iii) sustainable debt and adequate capacity to repay the Fund. If the concurrent Fund program ends (e.g., due to expiration or cancellation), then the RSF arrangement ends automatically. However, an RSF arrangement can continue when the old UCT arrangement expires if a new UCT-quality arrangement is approved seamlessly and specific conditions are met.

- **Access limits.** While actual disbursements are not capped, access is generally around 50 percent of quota per review, and cumulative access is limited to the lower of 150 percent of quota or SDR 1 billion. The access norm is 75 percent of quota. Access from the RSF does not count toward exceptional access limits (200 percent annual, 600 percent cumulative). By comparison, cumulative access under the Rapid Credit Facility (RCF)/Rapid Financing Instrument (RFI) is 100–133 percent of quota, depending on which window is used.

- **Terms.** The RSF arrangement has a minimum duration of 18 months. RSF support is longer-term financing. Loans have a maturity of 20 years with a grace period of 10½ years. By comparison, the ECF and EFF have a 10-year maturity and 5½ years grace. A tiered interest rate is applied: Group A—PRGT-eligible (non-blenders), 3-month SDR interest rate plus 55 basis points (bps) capped at 2.25 percent; Group B—PRGT-eligible (blenders) and non-PRGT-eligible small

states, SDR rate plus 75 bps with a 25 bps service charge; and Group C—all other eligible countries, 95 bps above the SDR interest rate with a 50 bps service charge.

- **Disbursements.** Disbursements are made in the context of RSF arrangement reviews, which occur concurrently with UCT-quality program reviews. Each reform measure (RM) is associated with a disbursement, with a presumption of equal access across disbursements given the difficulty of "pricing" longer-term reforms noted in the RST proposal. No disbursements are made at arrangement approval.

TABLE A5.1. RSF ARRANGEMENTS, 2022–JUNE 2025

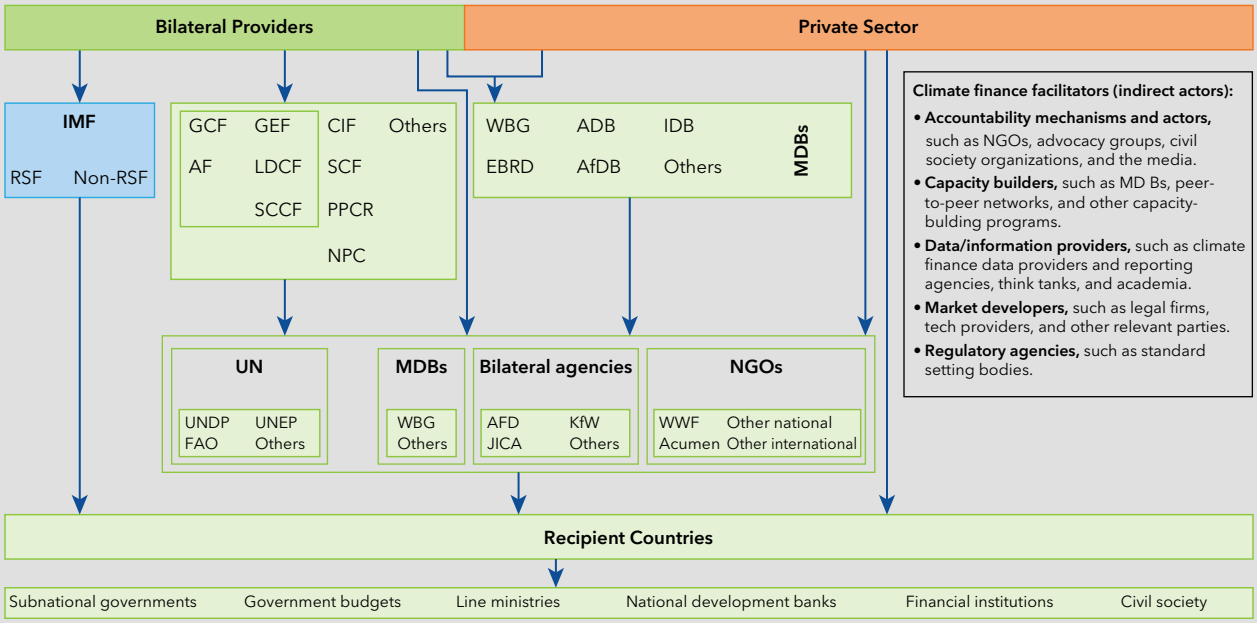
COUNTRY	RSF APPROVAL	DURATION (MONTHS)	ACCESS		CONCURRENT UCT ARRANGEMENT	RSF STATUS JUNE 2025
			PERCENT OF QUOTA	SDR MILLIONS		
Costa Rica	Nov. 2022	19	150	554	EFF	Concluded
Barbados	Dec. 2022	36	150	142	EFF	Concluded
Rwanda	Dec. 2022	24	150	240	PCI	Concluded
Bangladesh	Jan. 2023	42	94	1000	ECF-EFF	Ongoing
Jamaica	Mar. 2023	24	150	574	PLL	Concluded
Kosovo	May 2023	24	75	62	SBA	Concluded
Seychelles	May 2023	36	150	34	EFF	Ongoing
Senegal	Jun. 2023	37	75	243	ECF-EFF	Off-track
Niger	Jul. 2023	30	75	99	ECF	Ongoing
Kenya	Jul. 2023	20	75	407	ECF-EFF	Cancelled
Morocco	Sep. 2023	17	112	1000	FCL	Concluded
Moldova	Dec. 2023	22	75	129	ECF-EFF	Ongoing
Cabo Verde	Dec. 2023	21	100	24	ECF	Ongoing
Benin	Dec. 2023	24	120	149	ECF-EFF	Ongoing
Paraguay	Dec. 2023	23	150	302	PCI	Ongoing
Mauritania	Dec. 2023	30	150	193	ECF-EFF	Ongoing
Cameroon	Jan. 2024	18	50	138	ECF-EFF	Concluded
Côte d'Ivoire	Mar. 2024	30	150	976	ECF-EFF	Ongoing
Tanzania	Jun. 2024	23	150	597	ECF	Ongoing
Madagascar	Jun. 2024	36	100	244	ECF	Ongoing
Papua New Guinea	Dec. 2024	24	75	197	ECF-EFF	Ongoing
Congo, Democratic Republic of	Jan. 2025	38	75	800	ECF	Ongoing
Egypt	Mar. 2025	19	49	1000	EFF	Ongoing
Pakistan	May 2025	28	49	1000	EFF	Ongoing
Gambia, The	Jun. 2025	18	75	47	ECF	Ongoing
Jordan	Jun. 2025	30	150	515	EFF	Ongoing
Average/total		27	112	10,666		

Source: IMF staff reports.
Note: The first five listed RSF arrangements are the pilot programs. Access committed average excludes countries at the SDR 1 billion cap. ECF = Extended Credit Facility; EFF = Extended Fund Facility; PCI = Policy Cooperation Instrument; PLL = Precautionary and Liquidity Line; RSF = Resilience and Sustainability Facility; SBA = Stand-By Arrangement; UCT = Upper Credit Tranche.

ANNEX 6

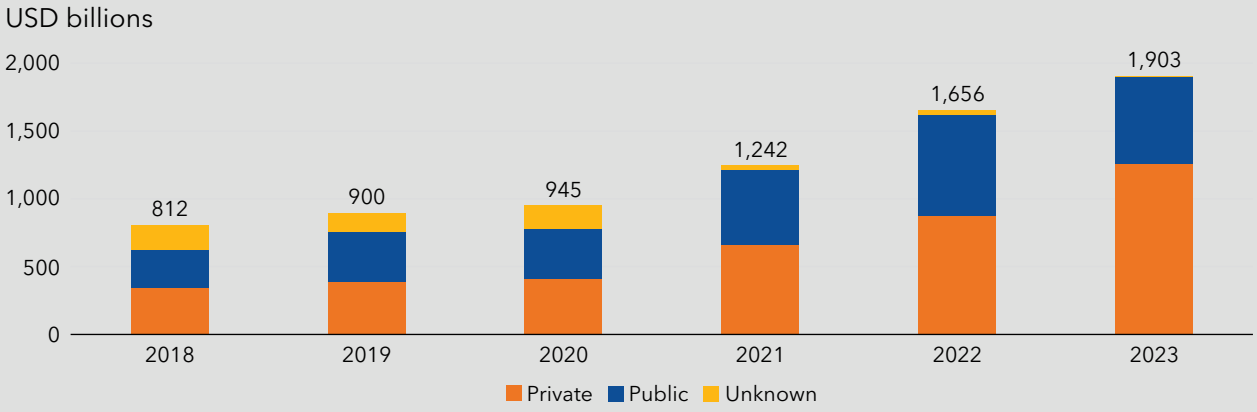
GLOBAL CLIMATE FINANCE ARCHITECTURE AND GAPS

FIGURE A6.1. GLOBAL CLIMATE FINANCE ARCHITECTURE



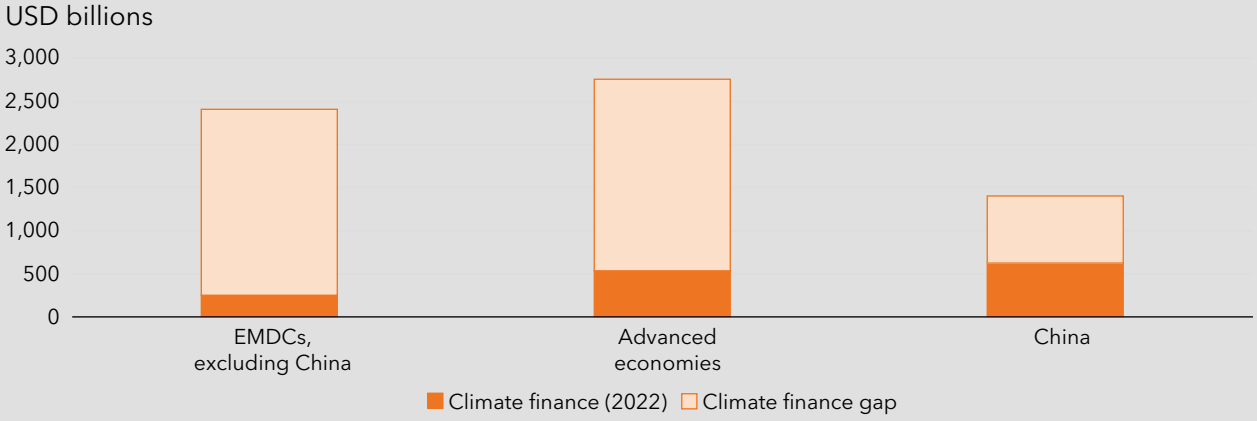
Source: Adapted from OECD (2023). ADB = Asian Development Bank; AF = Adaptation Fund; AFD = Agence Française de Développement; AfDB =African Development Bank; CIF = Climate Investment Funds; EBRD = European Bank for Reconstruction and Development; GCF = Green Climate Fund, GEF = Global Environment Fund; IDB = Inter-American Development Bank; JICA = Japan international Cooperation Agency; KfW = Kreditanstalt für Wiederaufbau; LDCF = Least Developed Countries Fund; MDBs = multilateral development banks; NDBs = national development banks; NGOs = non-governmental organizations; PPCR = Pilot Program for Climate Resilience; RSF = Resilience and Sustainability Facility; SCCF = Special Climate Change Fund; SCF = Strategic Climate Fund; UN = United Nations; UNDP = United Nations Development Program; UNEP = United Nations Environment Program; WBG = World Bank Group; WWF = World Wildlife Fund.

FIGURE A6.2. GLOBAL CLIMATE FINANCE, 2018–23



Source: Climate Policy Initiative (2025).

FIGURE A6.3. CLIMATE FINANCE GAPS



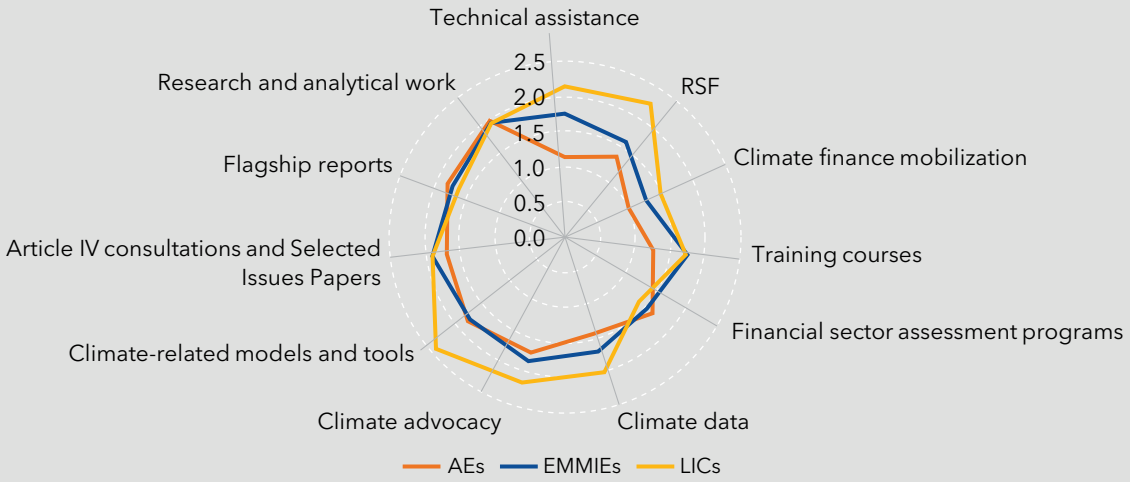
Source: Bhattacharya and others (2024).

Note: EMDCs = emerging market and developing countries.

ANNEX 7

COUNTRY AUTHORITIES' PERCEPTION OF THE RELATIVE VALUE ADDED OF THE FUND'S CLIMATE-RELATED OUTPUTS AND ACTIVITIES

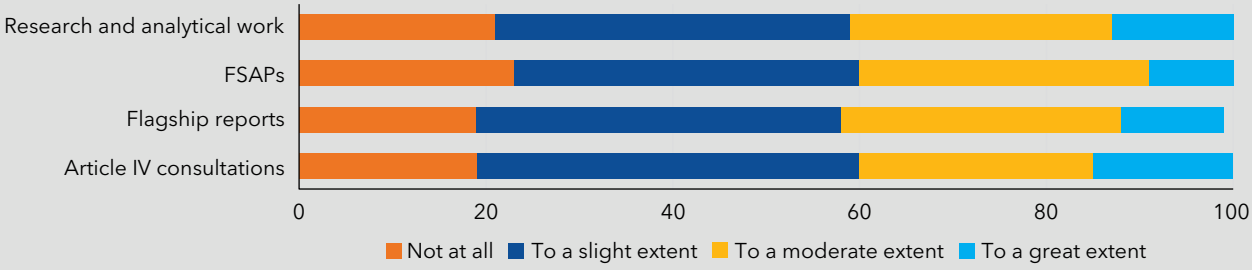
FIGURE A7.1. VALUE ADDED OF THE FUND'S CLIMATE-RELATED OUTPUTS AND ACTIVITIES



Sources: IEO 2025 survey; IEO staff calculations.

Note: Country authorities were asked the following question: "To what extent does your country believe the following IMF outputs and activities have created value added for your country in the area of climate change?" The responses were converted to a numeric scale and averaged (Not at all = 0; To a slight extent = 1; To a moderate extent = 2; and To a great extent = 3). Don't know and Not applicable responses were removed in the summarization of results. AEs = advanced economies; EMMIEs = emerging market and middle-income economies; LICs = low-income countries.

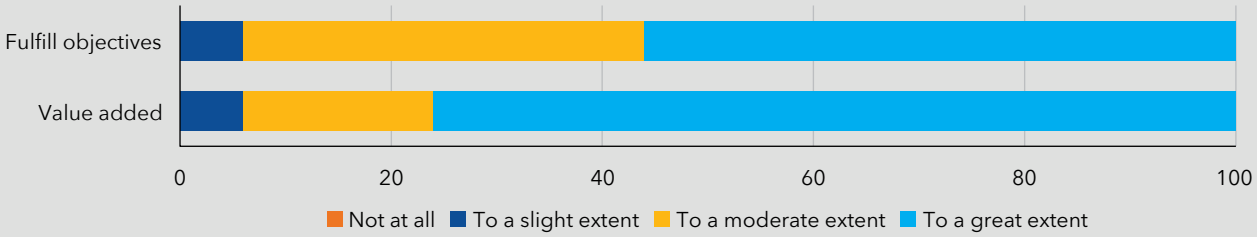
FIGURE A7.2. TRACTION OF THE IMF'S CLIMATE-RELATED SURVEILLANCE



Sources: IEO 2025 survey; IEO staff calculations.

Note: Country authorities were asked the following question: "Based on your country's experience in the context of Article IV consultations [flagship reports; FSAPs; research and analytical work], to what extent has IMF surveillance of climate change–related issues had traction (e.g., contributed to policy formulation)?"

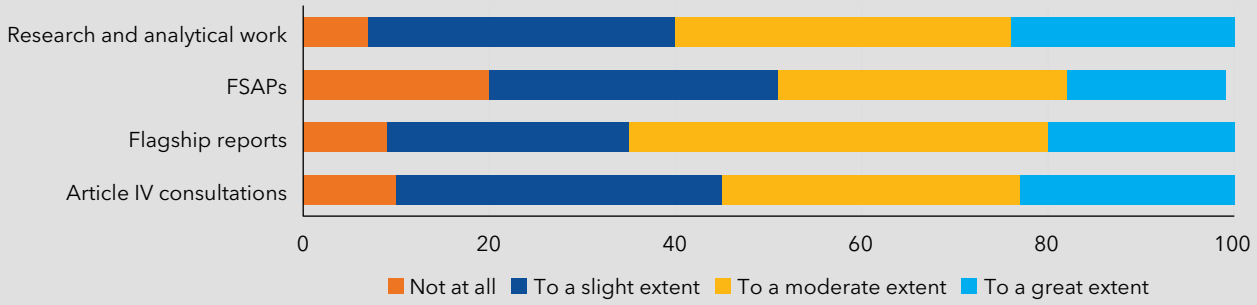
FIGURE A7.3. VALUE ADDED AND FULFILLMENT OF OBJECTIVES OF THE RSF



Sources: IEO 2025 survey; IEO staff calculations.

Note: Country authorities were asked the following questions: "Based on your country's experience with an RSF arrangement, to what extent did the RSF arrangement provide value added for your country?" and "Did the RSF arrangement fulfill your country's initial expectations and objectives?"

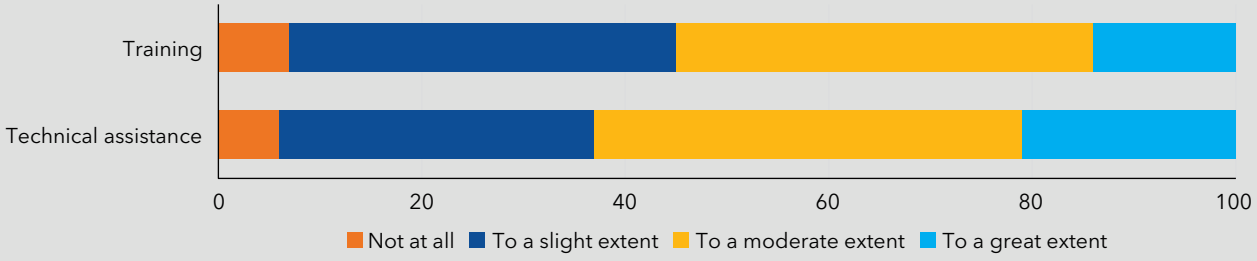
FIGURE A7.4. ENHANCED UNDERSTANDING OF CLIMATE THROUGH IMF SURVEILLANCE



Sources: IEO 2025 survey; IEO staff calculations.

Note: Country authorities were asked the following question: "Based on your country's experience in the context of Article IV consultations [flagship reports; FSAPs; research and analytical work], to what extent has IMF surveillance of climate change–related issues enhanced your country's understanding of the issues?"

FIGURE A7.5. ENHANCED INSTITUTIONAL CAPACITY ON CLIMATE THROUGH IMF CD



Sources: IEO 2025 survey; IEO staff calculations.

Note: Country authorities were asked the following question: "Based on your country's experience, to what extent has IMF climate change–related technical assistance [training] been effective in building institutional capacity?"

ANNEX 8

CAPACITY DEVELOPMENT IN RSF ARRANGEMENTS

TABLE A8.1. TECHNICAL ASSISTANCE OUTPUTS IN RSF CASES

NUMBER OF RSF CASES	TYPE OF TA OUTPUT RECEIVED	RSF COUNTRIES ACCOUNT FOR …
28	FAD TA on issues such as green tax options, reform of fossil fuel pricing, and petroleum/natural gas fiscal regimes	57 percent of TA projects on these issues
23	C-PIMA[1]	33 percent of conducted C-PIMAs
18	FAD TA on issues related to green PFM, climate budget tagging, and reducing fiscal risks related to climate aspects of PPP frameworks	72 percent of TA projects in these areas
13	FAD TA on fiscal risks from climate change and natural disasters	59 percent of TA projects in this area
10	CPD	52 percent of conducted CPDs
4	STA diagnostic missions on macro-relevant environment and climate change statistics[2]	24 percent of the diagnostic missions conducted
3	MCM TA on climate risk analysis in the financial sector	60 percent of TA projects on these issues
2	ICD TA on incorporating natural disaster shocks in microeconomic frameworks and models	50 percent of ICD projects on this topic

Sources: IMF; authors' assessment.

Note: Numbers as of April 2026. Following the evaluation period, MCM has delivered TA on climate information architecture as part of RSF engagements for five countries as well as for one country outside an RSF. CPD = Climate Policy Diagnostic; C-PIMA = Climate-Public Investment Management Assessment; FAD = Fiscal Affairs Department; ICD = Institute for Capacity Development; MCM = Monetary and Capital Markets Department; PFM = public financial management; PPP = public-private partnership; RSF = Resilience and Sustainability Facility; TA = technical assistance.

[1] The five RSF cases without a C-PIMA are Bangladesh, Cameroon, Madagascar, Morocco, and Niger. Bangladesh and Morocco, two of the focus countries for this evaluation, illustrate why a C-PIMA might not have been conducted. In Bangladesh, a "desk assessment" C-PIMA was supplemented by technical consultations with the authorities as part of RSF program preparation, with plans for a later full CPIMA (which has not been conducted or planned to date). In Morocco, the IMF did not do a C-PIMA because the World Bank handled most PFM work, including green budgeting.

[2] Of which one (Bangladesh) led to follow-up work on the compilation of energy and air emissions accounts.

STATISTICAL AND METHODOLOGICAL ONLINE APPENDIX

The Statistical and Methodological Online Appendix provides additional details on the underlying data supporting this evaluation, including the surveys and text analyses exercises. Sections 1 and 2 present the results of the surveys distributed to IMF staff and country authorities, respectively. Section 3 details the various text classification exercises undertaken using a large language model, including the source and extraction of textual data, prompts and classification exercises, validation process, and limitations. Finally, Sections 4 and 5 describe the methods used for the other text analysis exercises and citation analysis, respectively.

This Online Appendix is available on the IEO's website: IEO.IMF.org.

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STATEMENT BY THE MANAGING DIRECTOR

ON THE INDEPENDENT EVALUATION OFFICE REPORT ON THE IMF AND CLIMATE CHANGE
EXECUTIVE BOARD MEETING, MAY 27, 2026

I welcome the IEO's comprehensive evaluation, which finds that the Fund's work on climate has had high value for our members. The report provides a well-structured assessment of the Fund's climate-related engagement across surveillance, lending, and capacity development, highlighting how this work has been anchored in members' macroeconomic and financial frameworks. To follow up on the IEO's three main recommendations—which I support, with some qualifications—a Management Implementation Plan (MIP) will be developed, consistent with resource constraints and closely aligned with existing workstreams, including the ongoing CSR, ROC, and FSAP reviews.

FINDINGS

I welcome the IEO's positive assessment of the Fund's work on climate. The evaluation highlights major innovations in IMF lending, important contributions to the global climate architecture, highly cited analytical work, and increasingly tailored policy advice to members. As the IEO notes, the initial phase of implementing the climate strategy and lending through the RST involved upfront investment costs and significant institutional learning. As the Fund entered a second phase, however, strengthened capabilities, improved organization, and better coordination helped contain pressures, enhance efficiency, and address many of the early challenges.

As the report highlights, the Fund's climate work is faced with some challenges that are also common across many of our workstreams, including how to assess macro-criticality, as well as how to improve the links between capacity development and surveillance. I would also underscore that the Fund's climate work is still relatively young, and that important further progress has been made since the end of the evaluation period in sharpening our focus and deepening the quality of analysis and policy advice. As noted by the IEO, fully and efficiently mainstreaming new areas of work requires time, and this evaluation—along with discussions on the Comprehensive Surveillance Review (CSR), Review of Program Design and Conditionality (ROC), and FSAP Review—helps inform a continuous process of improvement as we decide how to move forward with, and mainstream, our climate work.

RECOMMENDATIONS

I broadly support the report's key recommendations, with some qualifications regarding specific suggestions to internalize both implementation tradeoffs and the broad range of stakeholder views. Importantly, though, I must respectfully disagree with the report's assertion that its recommendations will be largely budget neutral. My assessment is that most recommendations could have a significant budget cost, and prioritization will thus be important.

Below is my proposed response to each of the IEO's three recommendations.

Recommendation 1. Surveillance: Article IV staff reports should more explicitly assess macrocriticality and enhance the tailoring of climate-related coverage.

Recommendation 1: Specific Suggestions

- **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.

I support this recommendation, with some qualifications. I agree that more can be done to clarify the macroeconomic risks and impact of the issue at hand and why related policies are macrocritical (though this applies to both climate and other policy topics). We should strive to quantify macrocriticality,

but where data limitations exist, more space in reports could be devoted to offering a qualitative explanation for the focus of our coverage. We will aim to strengthen consistency within staff reports but should keep in mind that certain tools, such as the RAM and the DSA, serve different purposes and look at different time horizons, so key findings and messages will reflect these objectives.

I also agree on the importance of keeping our work tailored to specific country circumstances. As the report notes, we have progressively increased our expertise and focus on adaptation issues, which are especially relevant for many of our low-income and vulnerable members. On mitigation we take into account country NDCs (where they exist) and analyze their macroeconomic implications, and consider the constraints our members are facing when discussing available policy instruments. As with other structural policies, our coverage is guided by considerations of macrocriticality. As for the internal allocation of resources, this is a matter squarely within Management's mandate, and we will continue to reflect on this important topic as we move forward.

As the evaluation notes, the Fund's climate-related models have been widely recognized for their high-quality assessment of the macroeconomic effects of climate change and related policies, even as we continue to seek further improvements. We will continue to update and refine our analytical tools and models to ensure that we are delivering consistently high-value and tailored policy advice. But we have to remain cognizant of the costs and be selective on where we want to push, keeping in mind our comparative advantage.

Finally, on communication, I agree that we need to be clear, both internally and externally, about what the Fund can do on climate, and what it cannot and will not do. Our message is simple: we deal with climate to the extent that it has important implications for macroeconomic and financial outcomes and policies for our members. We will revisit our terminology for consistency across workstreams, acknowledging that our use of certain terms will likely be more specific than that in other international organizations and rooted within the Fund's mandate.

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.

Recommendation 2: Specific Suggestions

- **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.

I support this recommendation, with some qualifications. I agree that in some cases, the duration of an RSF arrangement may constrain the depth, ambition and breadth of some reform packages. But duration is limited to some degree by the requirement that an RSF arrangement be underpinned by a UCT-quality program, and that requirement is critical to ensure a strong macroeconomic policy anchor and to provide a key safeguard required by donors making contributions to the Trust. At the time of the interim RST review, we introduced the possibility of continuing an RSF arrangement under back-to-back UCT-quality programs under certain circumstances. This reform effectively allowed substantially longer RSF arrangements, and we see that members are starting to show interest in that option. We will continue to explore further refinements to better take into account capacity constraints in our most vulnerable members, while maintaining evenhandedness and building on our already good integration with CD activities.

On reform measure (RM) design, we have come a long way, and the journey continues. In line with recent practice, we will continue to offer IMF diagnostics ahead of formal discussions on new RSF requests, as this leads to better RM design and sequencing and better calibration to the authorities' implementation capacity.

I agree that it is important to articulate how RMs help mitigate prospective BoP stability risks, and, in response to the Board's feedback, we have already taken important steps in this direction, including by adding annexes that were piloted mostly after the IEO evaluation period cutoff (June 2025). At the same time, quantifying the link can be challenging, and we should avoid holding RMs to a higher standard than structural conditionality under UCT-quality arrangements. I also agree that RMs should focus on areas where the Fund has clear expertise, consistent with the Principles underlying the Guidance on Conditionality.

Close cooperation with other institutions, particularly the World Bank, is critical for the success of the RSF, and we will continue to make our best efforts in this area, including by working with regional development banks. I agree also on the importance of post-RSF monitoring. Beyond the Post Financing Assessment (PFA) monitoring, we will explore using a simple template to cover RM follow-up, when it remains macrocritical, in the context of Article IV consultations. This would enhance clarity in a cost-effective manner.

Finally, in terms of non-RSF lending, I am of the view that climate—like other structural issues—should be incorporated only when instrumental to program success (that is, as appropriate to the lending instrument, resolving or making significant progress toward resolving, the member's BoP problem).

Recommendation 3. Capacity Development: Staff should strengthen the links between climate-related CD, surveillance, and lending to increase the effectiveness of all three activities.

Recommendation 3: Specific Suggestions

- **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.

I support this recommendation. I agree with the importance of strengthening the links between CD, surveillance, and lending, as well as the need to help countries fill critical data gaps, in our climate work just as in other areas. I would note, though, that some of the elements highlighted by the IEO are already reflected in Fund practice, particularly in the context of RSF operations.

Climate-related CD is firmly embedded in RSF lending and well-coordinated across departments. Early engagement of CD departments has become a common feature and is institutionalized in the RSF operational guidance note. Staff have rapidly internalized lessons from initial RSF experiences and flexibly adapted CD products to our membership's needs, notably through the introduction of Climate Policy Diagnostics (CPDs), while we have also seen increasing demand for CD related to RM implementation. I endorse the recommendation to strengthen TA agendas but would note that the balance between RSF and non-RSF climate TA ultimately reflects demand, and the growing demand for the latter illustrates the value of our macro/climate expertise across the membership. We have been increasing cooperation with external partners and will continue to do so, recognizing that our comparative advantage derives from the macroeconomic lens we apply to climate policy advice.

On the CD-surveillance link, while there are some tradeoffs, I endorse the recommendation for surveillance to better integrate climate-related CD. Follow-up on macrocritical TA recommendations in bilateral surveillance can improve the traction, implementation, and effectiveness of CD activities. Surveillance can also help identify possible areas for future capacity development activities. We are also working on strengthening national statistical systems in order to fill the data gaps to support climate-related policies. Finally, I agree with the need to further integrate climate-related TA with general TA, while noting that this notion is already reflected in our country-centric and programmatic approach to CD delivery.

RECOMMENDATION	POSITION
Recommendation 1. Surveillance: Article IV staff reports should more explicitly assess macrocriticality and enhance the tailoring of climate-related coverage.	Qualified support
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.	Qualified support
Recommendation 3. Capacity Development: Staff should strengthen the links between climate-related CD, surveillance, and lending to increase the effectiveness of all three activities.	Support

THE CHAIR'S SUMMING UP

INDEPENDENT EVALUATION OFFICE–THE IMF AND CLIMATE CHANGE
EXECUTIVE BOARD MEETING 26/48, MAY 27, 2026

Executive Directors welcomed the report of the Independent Evaluation Office (IEO) on the IMF and Climate Change and its well-structured assessment of the Fund's engagement across surveillance, lending, and capacity development. Most Directors concurred with the report's positive assessment that the Fund's work on climate, anchored in members' macroeconomic and financial frameworks, has provided high value for the membership and the Global Climate Architecture. They noted that the initial phase of implementation involved upfront investment costs and significant institutional learning, with efficiency improving over time as capabilities, organization, and coordination strengthened. Most Directors agreed with the evaluation's assessment that there is scope to further strengthen the application of the new climate approach, and supported the IEO's key recommendations for improvement with some qualifications regarding specific suggestions. Noting that some of the challenges are common to many workstreams, Directors stressed the need for close alignment with current and upcoming workstreams, including the Comprehensive Surveillance Review (CSR), Review of Program Design and Conditionality, Financial Sector Assessment Program Review, and Review of the Resilience and Sustainability Trust (RST). Directors emphasized the need to take into consideration resource constraints and highlighted the resulting need for prioritization. While a few Directors considered that the climate strategy might have crowded out the Fund's core work and the evaluation should have assessed its consistency with the Fund's mandate, most Directors stressed the need for sustained institutional support to preserve the progress achieved with the new approach.

Directors, a few of them with some qualifications, supported Recommendation 1 to more explicitly assess macrocriticality and enhance the tailoring of climate coverage in Article IV staff reports. They agreed on the need to strengthen the assessment of macrocriticality in a transparent and evenhanded manner, and looked forward in that regard to additional guidance on operationalization from the CSR. Most Directors concurred with the importance of tailoring policy advice, continuing to increase the focus on adaptation and transition issues, while maintaining mitigation efforts according to country emission profiles and authorities' priorities. They also looked forward to continued staff advice on a full range of policy instruments, with clear articulation of the trade-offs and distributional impact of different options. Most Directors encouraged continued refinements in the analytical tools and models that have supported the Fund's high-quality assessments of the macroeconomic effects of climate change and related policies, while emphasizing

the need to be selective, consistent with the Fund's comparative advantage, and cognizant of the costs. Many Directors stressed in particular the importance of continued improvements to incorporate in macroeconomic frameworks the financing needs and long-term macroeconomic impacts of climate risks. A few Directors cautioned against mechanical use of standardized templates across reports and stressed that macrocriticality should firmly anchor coverage to BOP stability and near- to medium-term macroeconomic risks. Many Directors encouraged greater use of dedicated analytical chapters in flagship reports, given their strong traction. Directors agreed on the importance of clear and consistent internal and external communications to manage expectations, facilitate collaboration with external partners, and align staff incentives with institutional priorities.

Most Directors supported Recommendation 2 to strengthen the Resilience and Sustainability Facility (RSF) and more broadly clarify the integration of climate considerations in the overall lending framework, with some qualifications to specific suggestions. A few Directors did not support Recommendation 2, considering that it would heighten inconsistencies with the Fund's mandate to address temporary BOP needs as well as overlap with other IFI mandates. While a number of Directors favored considering options to address the limitations posed by the length of RSF engagement on ambition and applicability of reform packages, including by possibly allowing RSF arrangements to remain active beyond the expiration of associated Upper Credit Tranche (UCTs) arrangements, a number of other Directors stressed that the requirement for the RSF to be underpinned by a UCT program is a key safeguard for donors to the Trust. Directors agreed on the importance of strong design of reform measures that adequately leverage country diagnostic tools, take into account country implementation capacity, and link the measures to the mitigation of prospective balance of payments (BOP) risks, as well as to access levels under the RSF. A number of Directors emphasized the importance of demonstrating the contribution of the RSF to reducing BOP risks. Most Directors concurred on the importance of continuing to enhance cooperation with other institutions and post-program monitoring in a cost-effective manner. Many Directors looked forward to further assessment in the next RST review of the facility's effectiveness and catalytic effect, as well as possible improvements, including to better anchor reforms in long-term climate strategies. Most Directors also looked forward to continued refinements in guidance on the inclusion of climate reforms in non-RSF lending arrangements, while noting that they should be incorporated only when clearly linked to BOP risks and central to program objectives.

Most Directors supported Recommendation 3 to further strengthen the links between climate-related capacity development (CD), surveillance and lending. They agreed on the importance of continued learning from positive experiences of strong integration of technical assistance (TA) in RSF lending, including the criticality of early engagement of TA departments and Regional CD Centers, and strong cooperation with external partners based on areas of comparative advantage. Directors also stressed the need for focused and well-coordinated and sequenced climate-related TA, particularly in multi-partner settings and in countries with capacity constraints. A few Directors questioned whether climate CD had crowded out core Public Financial Management and financial sector CD, and supported a more appropriate balance between climate-related and non-climate CD. Directors endorsed the recommendations for continued progress in better integrating climate-related TA with general TA and surveillance to support identification of TA needs, monitoring and traction, and policy effectiveness.

In line with established practice, Management and staff will give careful consideration to today's discussion of the IEO's specific suggestions in formulating the Management Implementation Plan for Board-endorsed recommendations, while also ensuring consistency with resource constraints and synergies with existing workstreams.

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EVALUATION REPORT **2026**

