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IEO Releases Evaluation of The IMF and Climate Change

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) released today its new evaluation of The IMF and Climate Change, which was discussed by the Executive Board on May 27. The evaluation assesses the IMF's new approach to climate-related work since 2021, when the Executive Board endorsed the Strategy to Help Members Address Climate Change-Related Policy Challenges, and 2022, when it established the Resilience and Sustainability Trust (RST) and its associated lending instrument, the Resilience and Sustainability Facility (RSF). These two milestones marked the adoption of a more systematic approach to climate-related work across the Fund's surveillance, lending, and capacity development (CD) activities. The evaluation covers the period from 2021 to mid-2025 and draws on five thematic background papers analyzing the Fund's climate-related work in surveillance, lending, CD, institutional issues, and the Fund's role in the global climate architecture.

The evaluation finds that the IMF's new climate approach has brought significant value added to many of its members and to the global climate architecture, but that there is scope to strengthen its technical underpinnings and sustain institutional support. Specifically:

- **The Fund's climate-related work was broadly appreciated by members** across surveillance, lending, CD, analytical work, and advocacy activities, which were strongly demanded and considered to provide significant value added. The Fund positioned 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.

- **Implementation went broadly as envisaged, albeit with a learning curve.** The decision on the Climate Strategy left several implementation issues to be addressed by staff and management, and the subsequent budget augmentation scaled back the resources and targets originally envisaged. Institutional communications were insufficiently nuanced, generating elevated expectations and perceptions of overreach. Ambitious initial planning and weak monitoring led to overspending, though pressures declined over time and there was no significant crowding-out overall.

- **There is scope to strengthen some aspects of the climate approach.** In surveillance, the main issues are the operationalization of macrocriticality, the tailoring of coverage to country needs, and gaps in analytical tools and models. The RSF could be improved by revisiting aspects such as the duration of arrangements, the strength of reform measures, collaboration with partners, and post-program monitoring. CD work could be improved by focusing on the alignment of technical assistance with surveillance and lending.

Address. 700 19th Street, N.W., Washington, D.C. 20431, U.S.A. Telephone. +1 202 623 8623 Fax. +1 202 623 9990 Email. ieo@imf.org Website. ieo.imf.org

- **Consolidating the gains will require sustained institutional support.** Toward the end of the evaluation period, reduced backing from part of the membership, management's streamlining exercise, and curtailed institutional signaling tilted risks toward a scaling back of climate-related work, which may constrain the provision of services highly valued and demanded by the membership.

To address these issues, the evaluation proposes three main recommendations, seeking to strengthen the Fund's climate-related work within the current framework and resource envelope. The recommendations focus on:

1. **Surveillance**: Article IV staff reports should more explicitly assess macrocriticality and enhance the tailoring of climate-related coverage, including through stronger integration of climate risks in debt sustainability analyses, improved analytical tools, and clearer communications about the Fund's climate-related role and terminology;

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

3. **Capacity Development**: Staff should strengthen the links between climate-related CD, surveillance, and lending to increase the effectiveness of all three activities, including through earlier engagement of CD departments in the design of reform measures and more systematic coverage of CD recommendations in staff reports.

In discussing the report, Executive Directors supported all the recommendations. A management implementation plan will now be prepared for Board endorsement.