IEO
Independent Evaluation Office
of the International Monetary Fund

BACKGROUND PAPER

BP/26-01/02

Climate Change in IMF Lending

Andrea Arevalo and Chris Lane

© 2026 International Monetary Fund BP/26-01/02

IEO Background Paper
Independent Evaluation Office
of the International Monetary Fund

Climate Change in IMF Lending[*]

Andrea Arevalo[†] and Chris Lane[‡]

April 22, 2026

The views expressed in this Background Paper are those of the authors and do not necessarily represent those of the IEO, the IMF, or IMF policy. Background Papers report analyses related to the work of the IEO and are published to elicit comments and to further debate.

[*] This paper benefitted from research work by Kelsie Gentle and Carmen Rollins. Miguel de Las Casas provided very helpful comments.

[†] Economist, Independent Evaluation Office of the IMF.

[‡] Consultant, Independent Evaluation Office of the IMF.

Contents Page

Abbreviations v

Executive Summary vi

I. Introduction 1

II. Frameworks For Climate-Related Lending 1

III. Non-RSF Lending 6
A. Non-RSF Lending Before the Climate Strategy 6
B. Non-RSF Lending After the Climate Strategy 9
C. Energy Policy and Climate Goals 10

IV. The Resilience and Sustainability Facility 12
A. Access, Terms, and Demand 12
B. Design and Implementation of Reform Measures 17
C. Integration with the IMF Lending Framework 27
D. Value Added of the RSF and Use of its Resources 30
E. Catalytic Role of the RSF 31
F. Collaboration and Coordination with Partners 33
G. Monitoring of RMs Beyond Program Completion 36
H. Sustainability of the RSF 37

V. Findings and Conclusions 38
A. Non-RSF Lending 38
B. RSF Design 39
C. RSF Implementation 40

Boxes
1. Features of RST 5
2. Examples of RSF Linkages to Countries' Climate Agendas 20
3. Examples of Where RSF Timeline Limits Reform Measure Depth and Criticality 25

Figures
1. Evolution of IMF Financing Instruments Including RSF 2
2. Depth of Climate-Related Discussions in UCT-Only Programs 8
3. Type of Climate-Related Discussions in UCT-Only Programs 8
4. Categorization of Energy Policy Discussions by Objective 10
5. Funding Terms RSF Group A and B Countries, March 2025 15
6. Funding Terms RSF Group C Countries, March 2025 15
7. Reform Measures by Primary Policy Objective 18
8. Average Reform Measure Depth 22
9. Average Reform Depth and RSF Access, RSF Arrangements 23
10. References to Climate in Prior Article IV Consultations for RSF Requests 2022–23, Count 24

11. Reform Measures by Type _____27
12. Change in Primary Spending Over RSF Duration, Sample of RSFs Approved, 2022–24 _____30
13. Collaboration with Partners for a Sample of RSFs _____33

Tables
1. RSF Arrangements November 2022–June 2025 _____14
2. Climate Indicators for RSF-Eligible, RSF-Requesting, and Non-RSF-Eligible Countries_____17
3. Reform Measures Implementation _____26

Annexes
I. Findings of the 2024 RST Interim Review—The Experience So Far _____43
II. Theory of Change _____44
III. Evolution of Climate Lending _____46
IV. Climate Conditionality in Non-RSF Fund-Supported Arrangements _____49
V. Evidence of Catalytic Impact of the Resilience and Sustainability Facility_____51

References_____53

ABBREVIATIONS

BOP	Balance of Payments
CCPA	Climate Change Policy Assessment
CPD	Climate Policy Diagnostic
ECF	Extended Credit Facility
ENDA	Emergency Natural Disasters Assistance
EFF	Extended Fund Facility
ESF	Exogenous Shocks Facility
FCL	Flexible Credit Line
GHG	Greenhouse Gas
GRA	General Resources Account
NDC	Nationally Determined Contribution
OGN	Operational Guidance Note
PCI	Policy Cooperation Instrument
PFA	Post-Financing Assessment
PFM	Public Financial Management
PLL	Precautionary and Liquidity Line
PRGT	Poverty Reduction and Growth Trust
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
RM	Reform Measure
RoC	Review of Conditionality
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust
SBA	Stand-By Arrangement
SDR	Special Drawing Right
SDS	Small Developing States
TA	Technical Assistance
ToC	Theory of Change
UCT	Upper Credit Tranche

EXECUTIVE SUMMARY

This background paper evaluates how climate-related considerations have been integrated into the Fund's lending toolkit, particularly through the Resilience and Sustainability Trust (RST) and Resilience and Sustainability Facility (RSF). It assesses the legal frameworks, design, implementation, and effectiveness of these instruments in addressing climate-related macroeconomic risks.

The IMF has made significant strides in integrating climate-related considerations into its lending framework, but progress remains uneven and constrained by institutional limitations. The IMF's Articles of Agreement and broad definition of balance of payments (BOP) needs have allowed some financing of climate-related BOP needs under traditional instruments (General Resource Account (GRA)/Poverty Reduction and Growth Trust (PRGT)) and in support of prospective BOP stability under the RST and its facility, the RSF. Climate-related issues have gradually gained more relevance in programs, initially through energy pricing reforms and disaster-related measures, and more systematically following the 2021 Climate Strategy. Despite these advances, guidance for incorporating climate-related considerations into non-RSF lending is missing, resulting in limited and uneven integration into traditional arrangements.

RSF Design and Demand: The RSF has emerged as the centerpiece of climate-related lending, attracting strong demand and delivering early results. Since its launch in 2022, the RSF has seen strong demand, with 26 arrangements approved by mid-2025. Access levels often exceeded expectations, averaging 112 percent of quota (excluding countries at the SDR 1 billion cap), and terms are highly favorable (20-year maturity, low interest rates).

Reform Measures: RSF-supported reforms target adaptation, mitigation, transition and cross-cutting areas. However, reform depth and criticality vary, with an emphasis toward mitigation despite most RSF countries being low emitters primarily facing adaptation challenges.

Implementation and Monitoring: Implementation of RSF-supported reforms has been broadly successful, supported by alignment with previously existing national strategies and technical assistance. However, short program durations and limited post-program monitoring constrain long-term impact.

Catalytic Role: Evidence of the RSF arrangements catalyzing additional finance is mixed. While some countries report increased stakeholder engagement, others see limited or symbolic outcomes. The RSF's signaling effect of the country's commitment to green growth is more consistently valued.

Collaboration with Partners: Effective coordination with the World Bank, regional development banks, and other partners has supported RSF arrangements design and implementation, though concerns exist over institutional overlap and resource strain.

Sustainability and Future Directions: Recipients' strong favorable assessment of the RSF suggests continued demand, but the adequacy of RST resources remains uncertain as both constraints on uptake and pressures for higher access could shape future demand. Against this backdrop, the next RST review provides an opportunity to consider options to strengthen the trust's longer-term sustainability, including additional SDR channeling, if feasible.

In conclusion, the IMF has taken meaningful steps toward mainstreaming climate into its lending operations, yet gaps in guidance, program design, and long-term engagement remain. Addressing these challenges will be essential for the Fund to support members effectively in building climate resilience in IMF-supported programs and advancing the transition to sustainable growth.

I. INTRODUCTION

1. **Rationale**. This paper examines how climate-related considerations have been incorporated into the IMF lending toolkit, including through the Resilience and Sustainability Trust (RST) and Resilience and Sustainability Facility (RSF), assessing their design and implementation. The objective is to evaluate how well the toolkit is serving IMF member countries in addressing climate-related macroeconomic issues and risks while meeting broader lending goals.

2. **Scope and Country Coverage.** The paper focuses on the integration of climate-related considerations in the IMF's overall lending toolkit, covering (i) the Poverty Reduction and Growth Trust (PRGT) and General Resource Account (GRA); and (ii) the RST and the 22 RSF arrangements approved and published prior to March 2025[1]—with a cross-country approach rather than a case-by-case one—with a particular focus on the nine RSF arrangements expired (completed, off-track, or cancelled) by end-June 2025. The analysis expands to a few additional nearly completed programs as needed for discussion of some program design issues.

3. **Methodology and Sources**. A mixed methods approach of quantitative and qualitative methods is used, which includes: (i) a desk review of external and internal IMF documents, GRA/PRGT lending staff reports, RST related documents, including the 2024 RST interim review, and RSF arrangements staff reports; (ii) interviews with IMF staff, country authorities, and external partners involved in programs and RSF arrangements; (iii) case studies of relevant programs and cross-country analysis of RSF-supported countries; (iv) text analysis; and (v) surveys.[2]

4. **The paper is organized as follows.** Section II examines the legal and institutional frameworks for the inclusion of climate-related considerations in IMF lending. Section III reviews the evolution of climate-related lending prior to the establishment of the RST. Section IV assesses the performance of the RSF to date, focusing on access, terms, demand, reform measures (RMs), and its catalytic role. Finally, Section V presents the main findings and conclusions.

II. FRAMEWORKS FOR CLIMATE-RELATED LENDING

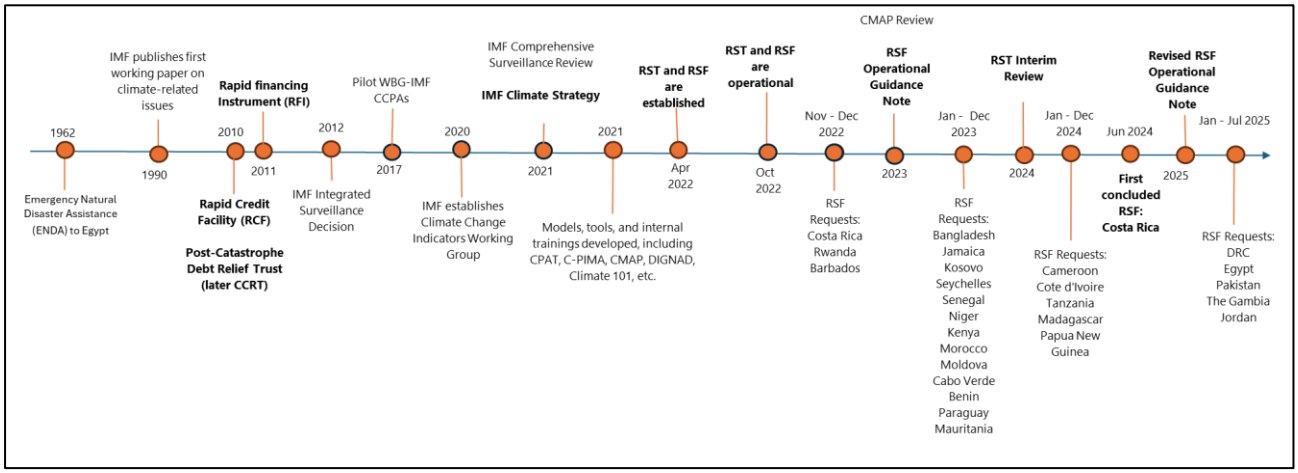
5. **The Fund's legal framework, as established in the Articles of Agreement, has proven sufficiently flexible to allow financing for climate change, which has evolved from financing the short-term impact of natural disasters to encompass longer-term challenges** (Figure 1). The definition of Balance of Payments (BOP) need, which was introduced at the time of the second amendment, has been sufficiently flexible to enable the Fund to provide financing in a variety of situations (IMF 2010). In the case of the GRA, financing requires members to

[1] The cross-country approach excludes Egypt, Pakistan, The Gambia, and Jordan which were approved after March 2025. Burkina Faso's RSF arrangement, approved in February 2026, is therefore outside the evaluation scope and excluded.

[2] For a detailed description of survey design and text analysis methodologies, see the IEO evaluation of *The IMF and Climate Change: Methodological and Statistical Online Appendix*.

demonstrate an actual, prospective, or potential BOP need and is intended to address members' BOP problems within a short- to medium-term horizon. Additionally, the Fund offers assistance on special terms to developing countries, for actual, prospective, potential BOP needs and "protracted" BOP problems through the PRGT, which also envisages longer-term structural BOP imbalances. Both the GRA and PRGT have regularly been used to provide relatively modest amounts of short and medium-term Fund financing (up to ten years' maturity), for the BOP impacts of climate change, in particular related to climate-related shocks (e.g., natural disasters, exogenous shocks, catastrophes) with some climate-related conditionality.

Figure 1. Evolution of IMF Financing Instruments Including RSF



Source: IEO Staff.

6. **Lending was not emphasized as a key element of the 2021 Climate Strategy.** Nonetheless, it was acknowledged that financing could be provided under IMF-supported programs where climate-related measures are critical to address BOP needs (IMF 2021a). The Strategy referenced the lending to countries affected by natural disasters and the inclusion of "climate-related elements" in some programs including energy subsidy reform, carbon pricing and financial resilience building. The Strategy also flagged the consideration of other measures such as tracking climate-related spending and offsetting distributional impacts of climate measures, provided that they are consistent with the Fund's lending mandate.

7. **The Climate Strategy's exploration of lending to support members' longer-term stability and resilience underscored divergent views across IMF shareholders.** Many Executive Directors supported leveraging program conditionality to enhance countries' resilience to climate change shocks, i.e., primarily through adaptation, provided that this conditionality aligned with the Fund's mandate and policies (IMF 2021b). The potential catalytic effect of program conditionality in bolstering climate resilience, especially for small developing states (SDS), was also discussed. However, some Directors felt it was premature to integrate climate-related considerations into lending, and that the Fund should pursue a gradual approach to climate engagement. Concerns were raised that climate-related conditionality could unfairly shift the burden of climate mitigation onto smaller countries, which contribute minimally to overall

emissions, as the Fund lacks the authority to impose conditionality on the major emitters. Given the divergence of views on the way forward for climate-related lending, the Climate Strategy left the door open for the potential establishment of the RST. The document emphasized ongoing deliberations on reallocating Special Drawing Rights (SDRs), issued in 2021, with considerations including the financing of climate-supportive initiatives, among other possibilities.

8. **The creation of a new Trust to support structural transformation in financially constrained countries was one of three options proposed to channel SDRs allocated in 2021.** Staff noted that poorer and vulnerable countries were facing multiple challenges, including pre-existing long-term structural vulnerabilities like climate change, which could jeopardize future BOP stability. A key constraint preventing countries tackling these vulnerabilities was the lack of access to affordable long-term financing. In this context, SDR channeling (reallocating of excess SDRs) was presented as a complement to the IMF's core lending with additional resources to facilitate longer-term structural transformation in countries that could require external financing at longer maturities (IMF 2021c).[3]

9. **Design features and the financial architecture of the RST were presented in two informal Board meetings.** In the first meeting in October 2021, policy and design modalities, governance, and multilateral considerations, as well as the financial architecture and demand projections were presented. Staff discussed RST financing for various BOP needs: actual or potential, protracted problems, and prospective stability. Two approaches were considered: focusing only on prospective BOP stability or including both prospective and actual/protracted needs. The latter approach integrated RST reforms with Upper Credit Tranche (UCT) conditionality and structural benchmarks but was excluded in the final proposal. Thus, the RST would help members address prospective BOP stability risks from longer-term structural challenges.

10. **A dedicated Trust funded exclusively by third party contributors would provide substantially greater flexibility than the GRA.** It would enable the Fund to address climate-related risks to BOP stability through longer program horizons and extended maturities. By serving as a vehicle for additional resources beyond those available under the GRA and PRGT, a well-funded Trust would demonstrate the Fund's commitment to the climate agenda without compromising the integrity of the GRA lending framework—an important consideration to multiple stakeholders. However, fundraising would remain challenging, particularly given the competition with PRGT fundraising efforts. In this context, channeling SDRs would provide an effective avenue for securing contributions.

11. **In 2022, the Executive Board approved the establishment of the RST, operationalized through RSF arrangements, marking a major shift from traditional GRA and PRGT lending.** The RST aimed to strengthen prospective BOP stability in the face of structural challenges, such as

[3] The presentation also included options to scale up the PRGT and to lend SDRs to other prescribed holders of SDRs, including multilateral development banks (MDBs).

climate change, with financing significantly larger than that available for climate shocks (in relation to quota). The Trust was established under Article V, Section 2(b),[4] to provide "financial and technical services" aligned with the Fund's purposes, ensuring financial risk was borne by contributors, and maintaining voluntary participation. The legal framework of the Trust allows flexibility to support both measures addressing climate change and enhancing pandemic preparedness (Box 1). However, to date, RSF lending has been mostly used to support climate change-related measures. As of June 2025, only one RSF arrangement, approved for Jordan, had combined climate and pandemic preparedness components.

12. **In 2024, an Interim Review of the RST highlighted strong demand and catalytic impact of the RSF, reaffirmed the current scope of qualifying structural challenges and made only minor policy adjustments**. An Interim Review of the RST took place in May 2024 taking stock of the first 18 months of implementation and considered whether to revisit the set of qualifying structural challenges (IMF 2024a). The review found that: demand for the RSF was strong; RMs targeted a mix of areas with varying impact, i.e., in terms of criticality and depth depending on country circumstances; collaboration with development partners was critical; the RSF was perceived to be catalytic; and, it was also resource intensive from the staff perspective (see Annex I). While the RST was established with the possibility of expanding its coverage over time beyond climate change and pandemic preparedness, no additions to the list of qualifying structural challenges were proposed in the review. Policy changes were minor: allowed disbursements for RMs completed early in some circumstances; eliminated dual purpose reforms that featured in both the underlying UCT arrangement and the RSF; and allowed an RSF to continue during a transition from one UCT arrangement to another.[5] Executive Directors called for a comprehensive review of the RST three years after becoming operational. Staff has indicated that the review is now expected to take place in FY2028. As part of this review, the Executive Board will also evaluate whether RST financing should continue beyond the current drawdown period, which ends on November 30, 2030 (IMF 2024a).

[4] Article V, Section 2(b): If requested, the Fund may decide to perform financial and technical services, including the administration of resources contributed by members, that are consistent with the purposes of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund. Services under this subsection shall not impose any obligation on a member without its consent.

[5] Other minor changes introduced during 2023–25 were: in May 2023, in the context of rising SDR interest rates, an interest rate cap of 2¼ percent was approved for Group A countries (PRGT eligible); in 2025 a modification was made for transition from a Flexible Credit Line (FCL) to another UCT arrangement with a concurrent RSF arrangement.

Box 1. Features of RST

The Resilience and Sustainability Trust (RST) aims to support member countries' longer-term structural reform efforts in eligible low-income and vulnerable middle-income members. More specifically, RST loans are intended to support policy reforms that reduce macro-critical risks associated with longer-term structural challenges, and to augment policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges—thereby contributing to prospective balance of payments (BOP) stability. RST loans can be provided as budget support. RST loans would initially support measures addressing climate change and enhancing pandemic preparedness; although the RST proposal noted that other challenges could be added over time.

The key requirements and features of RST loan support are:

- **Eligibility**. One hundred and forty three IMF members are eligible to request RST support: all Poverty Reduction and Growth Trust (PRGT)-eligible low-income countries (LICs) (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 would need: (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 Coordination Instrument (PCI), 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., expiration, cancellation) then the RSF arrangement ends automatically, except in select cases where expiration/cancellation of the existing UCT-quality program coincides with approval of a new UCT arrangement.
- **Access limits**. Access is limited to a maximum of 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 RST does not count towards normal 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, which was raised temporarily to 150–183.33 percent of quota during the COVID-19 pandemic.
- **Terms.** The RSF arrangement has a minimum duration of 18 months and its support is long-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. There is a tiered interest rate applied: Group A—PRGT eligible (non-blenders) at the 3-month SDR interest rate plus 55 basis points (bps) capped at 2.25 percent and exempt from service charges; Group B—PRGT eligible (blenders) and non-PRGT eligible small states, SDR rate plus 75 bps and one-time 25 bps service charge; and Group C—all other eligible countries at 95 bps above the SDR interest rate and one-time 50 bps service charge.
- **Disbursements.** Program disbursements are made in the context of RSF arrangement reviews, which occur concurrently with UCT 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 program approval.
- **Financial architecture**. The RST is a loan-based trust, broadly similar to the PRGT. RST resources would be mobilized on a voluntary basis from members with strong external positions who wish to channel their SDRs or currencies to support low-income and vulnerable middle-income countries. The financial structure of the RST helps maintain the reserve asset status of these loans, operationalized through a Loan Account, a Reserve Account, and a Deposit Account. The Reserve Account contribution does not have reserve asset status.
- **Enterprise and financial risks.** At establishment, the RST was assessed to face operational, financial, business, and reputational risks, including challenges in designing and monitoring high-quality reforms in new policy areas, capacity constraints, fundraising, credit, liquidity, investment risks, and risks to additionality and evenhanded access. The 2024 Interim Review found that these risks remained relevant but manageable, with financial risks—particularly fundraising, borrower repayment capacity amid higher interest rates, liquidity pressures, and exposure to market shocks—requiring continued monitoring, while existing safeguards, buffers, access limits, and governance arrangements remained appropriate.

Source: IMF (2022b).

13. **Since the RSF became operational, actual demand has been broadly in line with the initial estimate albeit with fewer requests at higher access levels.**[6] The baseline scenario envisaged about SDR 22 billion ($31 billion) in RSF commitments and assumed roughly that RSF-eligible countries that had a Fund program in the last 10 years (around 70 countries) would request an RSF arrangement with access at 100 percent of quota (up to a cap of SDR 1 billion). Meeting this baseline would require mobilizing SDR 33 billion (about $46 billion) in the three RST accounts. As of March 2026, members had pledged SDR 35.8 billion in total resources.

14. **The Fund's climate-related lending is intended to support the institution's main purposes.** Based on the Fund's legal and institutional framework, lending outputs, including climate-related ones, are expected to lead to a series of intermediate outcomes. IMF arrangements follow the standard cycle, from design and Board approval to implementation and monitoring, with disbursements tied to progress on conditionality for non-RSF UCT arrangements and RMs in RSF arrangements. Immediate outputs include implemented reforms (climate-related in RSF), while medium-term outcomes aim to reduce BOP risks, expand policy space, and mobilize additional financing. Ultimately, UCT arrangements help countries resolve short and medium-term BOP problems by restoring external viability and macroeconomic stability through strong policy frameworks and structural reforms. RSF-supported programs contribute to the Fund's broader purposes by promoting long-term BOP stability and fostering greater economic resilience and sustainability, and manage climate-related mitigation, adaptation, and transition needs. The Theory of Change (ToC) presented in Annex II shows how this process is supposed to work, detailing the causal links and necessary conditions for achieving the desired outcomes.

III. NON-RSF LENDING

A. Non-RSF Lending Before the Climate Strategy

15. **The Fund's engagement in lending for climate-related BOP needs has evolved significantly over time, though important gaps remain in aligning support with long-term resilience needs (Annex III).**[7] Historically, the Fund's role was limited to modest, one-off support through Emergency Natural Disaster Assistance (ENDA), with minimal conditionality and low uptake. Over time, this evolved into more structured instruments, first through the Exogenous Shocks Facility (ESF), and later consolidated into the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI), to address urgent BOP needs, including those stemming from natural disasters. The Catastrophe Containment and Relief Trust (CCRT) was later introduced to provide debt relief for BOP needs from qualifying catastrophic disasters, though its utility remains constrained by high qualification thresholds and limited funding. Despite the use of these instruments, lending was not

[6] Demand projections are updated annually in the context of the PRGT/RST Resource Adequacy Report (IMF 2026b) [FE] and are used to assess the adequacy of RST loan resources, reserve levels, and credit risks.

[7] For a more detailed discussion of the broader context by the IEO, see Lombardi and Rustomjee (2022), Gallagher, Rustomjee, and Arevalo (2024), and Annex III.

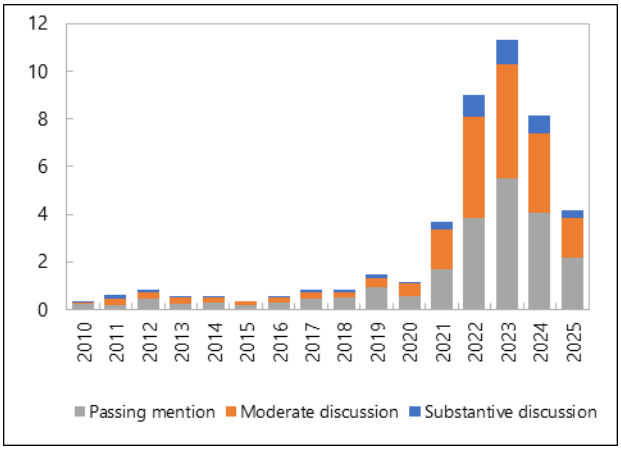
designed to support climate adaptation or resilience-building. Internal efforts to establish a dedicated resilience facility stalled due to ambiguity over the Fund's role in climate finance and, relatedly, a lack of financing. Following the 2015 Paris Agreement, the Fund paid more attention to the integration of climate-related considerations, including through Climate Change Policy Assessments (CCPAs), and the creation of the Large Natural Disaster window in 2017 expanded access under the RCF/RFI for large-scale disasters, most notably in SDSs, but this type of lending is not designed to incentivize climate adaptation or resilience building. The Fund's toolkit has since evolved, but gaps remain in aligning financing with long-term climate resilience needs.

16. **Climate-related issues occasionally appeared in IMF-supported programs, and their treatment has increased in frequency and depth over time** (Annex IV). For the period 2010–2025, climate-related considerations typically emerged in limited contexts: documenting the macroeconomic impact of weather events, discussing energy sector policies, describing development partners' climate-related activities in program countries, as well as the authorities' plans on how to address climate change-related aspects. Early references were largely descriptive, used to explain their impact on macroeconomic performance variations or to contextualize fiscal pressures following weather-related events. While the Fund's engagement acknowledged climate impacts, it did not systematically incorporate climate resilience into program design. Over time, as institutional attention on climate related issues increased, and a more structured approach on how to discuss and operationalize climate change aspects was developed, coverage deepened and became more systematic within IMF-supported programs (Figure 2). The thematic emphasis also shifted gradually from mitigation and transition towards adaptation and resilience building—particularly after the Paris Agreement and following endorsement of the Climate Strategy (Figure 3).

17. **Climate-related macro risks were particularly acute in SDS, where natural disasters and climate vulnerabilities directly threatened BOP stability.** SDS were therefore among the earliest cases in which climate-related considerations features in program design. Early examples include Grenada's Poverty Reduction and Growth Facility (PRGF) program in 2006, which aimed to reduce vulnerabilities from extreme weather events and enhance resilience and address weaknesses in the regulatory framework of the financial sector. Another example is Solomon Islands' Extended Credit Facility (ECF)-supported program (2012–16). Early staff reports flagged the country's vulnerability to frequent natural disasters and recommended rebuilding fiscal and reserve buffers to strengthen resilience. Subsequent ECF reviews explicitly identified climate change, alongside natural disasters, as a key macroeconomic vulnerability.[8] Despite substantial research and policy analysis supporting SDS, less attention was paid to incorporating longer-term resilience considerations into UCT programs more broadly, pointing to a gap between the Fund's growing analytical capacity on climate issues and their operational integration into lending (Lombardi and Rustomjee 2022).

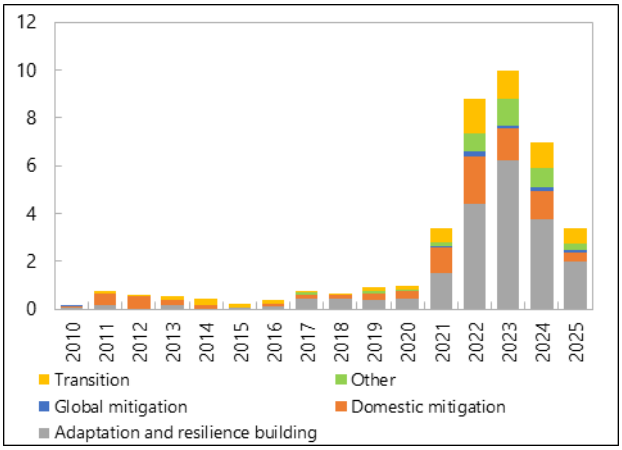
[8] An IEO evaluation of small developing states found that the incorporation of natural disasters and climate change-related vulnerabilities progressed over time (IEO 2022). Initially, disaster resilience policies were not included in program design, but the programs were adjusted flexibly to address the incidence of a natural disaster. Later programs became more explicit in relating risks, objectives, and the overall design of those vulnerabilities.

Figure 2. Depth of Climate-Related Discussions in UCT-Only Programs
(As a percent of total climate-related excerpts in the period 2010–25)



Sources: Program documents; IEO staff calculations.
Note: UCT-quality programs with an RSF are excluded from the analysis once the request is made. See the Online Statistical and Methodological Appendix for further details on this exercise.

Figure 3. Type of Climate-Related Discussions in UCT-Only Programs
(As a percent of total climate-related excerpts in the period 2010–25)



Sources: Program documents; IEO staff calculations.
Note: See the Online Statistical and Methodological Appendix for further details on this exercise.

18. **While the integration of climate issues advanced steadily in surveillance and capacity development, the treatment of climate in lending evolved more slowly.** Since 2015, the Fund has increasingly recognized the macrocritical nature of climate change, affirming its mandate to engage on climate-related issues. This recognition has translated into the progressive integration of climate considerations into surveillance and capacity development activities. However, climate issues in lending and related guidance lagged significantly behind this broader institutional evolution, reflecting a fundamental tension: although analytical work and policy research increasingly underscored climate risks' macrocriticality, translating this knowledge into operational lending guidance proved more challenging given the Fund's traditional focus on short- and medium- term BOP support versus the long-term, and structural nature of climate adaptation and mitigation needs.

19. **Notably, the 2018 Review of Conditionality (RoC) did not provide explicit operational guidance on how Fund lending instruments could more effectively support country-led climate adaptation strategies more broadly.** Despite some operational experience with lending to SDS, conditionality and related guidance in Fund-supported programs provided limited operational direction on how Fund lending instruments could support members' climate agendas, particularly adaptation, including when climate should be treated as macrocritical in UCT program design and how diagnostics should be translated into conditionality. In parallel, surveillance guidance moved ahead (e.g., Article IV and FSAP approaches to climate), widening the gap with lending operations. Subsequent developments, such as the RSF Operational Guidance (instrument-specific), the evolution from CCPA to Climate Macroeconomic Assessment Program (CMAP) diagnostics, the climate policy diagnostic (CPD),

and the Debt Sustainability Framework for Low-income Countries (LIC-DSF) supplement on climate risks and investments, have strengthened the analytical and debt-sustainability underpinnings but still stop short of a comprehensive, cross-instrument template for integrating climate-related considerations into UCT program architecture. The 2024 Operational Guidance Note (OGN) on Program Design and Conditionality does not fill this gap. The ongoing Review of Program Design and Conditionality provides an opportunity to address this shortcoming by articulating clear principles and practical guidance.

B. Non-RSF Lending After the Climate Strategy

20. **The 2021 Climate Strategy marked a shift by acknowledging that Fund-supported programs could advance climate resilience and, where climate measures were critical, justify financing for BOP needs, though guidance remained limited.** While lending was not formally incorporated in the strategy, its acknowledgment represented a significant conceptual advancement. However, there was insufficient discussion and direction regarding the integration of climate-related considerations. Climate-related measures could be further internalized in program design when such measures are deemed critical for resolving BOP problems. The strategy cited examples of climate-related measures in previous programs, including energy subsidy reforms (Extended Fund Facility (EFF) for Egypt and Tunisia, 2016; and Ukraine, 2015), carbon pricing and other revenue mobilization options (Jamaica), resilience building strategies to support green recovery in tandem with fiscal consolidation (Costa Rica) and the inclusion of natural disaster clauses in new borrowing contracts (Barbados, Grenada) (IMF 2021a).

21. **The Strategy provided limited clarity and practical direction on the link between Fund lending and climate objectives, reflecting broader differences that continued into post-Strategy implementation.** While climate issues have become more present in program discussions, particularly following increased institutional attention to climate, explicit climate-related program objectives and formal conditionality have remained relatively limited (Annex IV). Moreover, climate considerations while acknowledged, have not been integrated into core macroeconomic frameworks—such as baselines, debt sustainability analysis, and external sector assessments—that anchor BOP adjustment. IEO's text analysis indicates that only three IMF-supported programs included an explicit climate-related objective between 2006 and 2020, compared to 15 programs from 2021 to 2025. This shift points to greater integration of climate considerations over time, while also underscoring the challenge in reconciling the short-term horizon of Fund lending with the long-term nature of climate adaptation and mitigation policies.

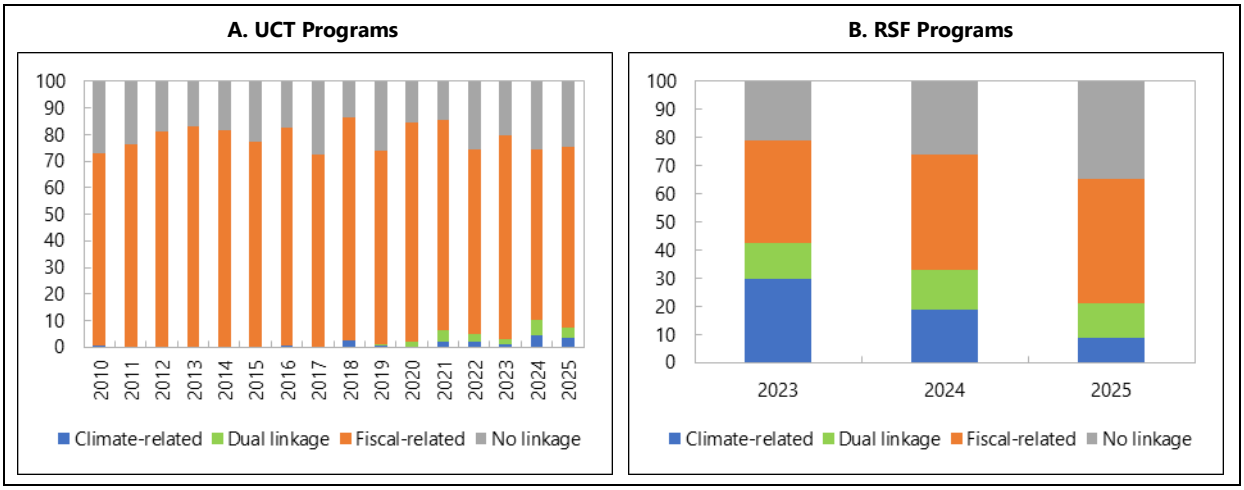
22. **The establishment of the RST—outside of the GRA and PRGT—provided a more structured framework to incorporate climate-specific reforms in lending as this financing can support longer term challenges that risk undermining prospective BOP stability.** Before the RST, the Fund's lending framework had shown flexibility to incorporate climate-related measures when deemed critical to solving BOP needs or to achieve the objectives of the program, supporting reforms like energy subsidy changes, carbon pricing, resilience building, and green budgeting. Specific guidance has been developed for RSF arrangements, but there is no

equivalent guidance for non-RSF arrangements. While the RST is different to the GRA and the PRGT, there is still a gap in the guidance for traditional programs. In addition, the RSF OGN states that: "Follow-up reforms, if macro-critical, could also be considered as part of a future UCT-quality instrument" but as mentioned before, there is no guidance on how to incorporate. Approximately 70 percent of surveyed staff reported that climate-related issues were not at all or only incorporated in UCT programs to a slight extent into areas such as exchange rate, monetary, fiscal, and financial sector policies. Similarly, around 70 percent of respondents noted that they had received little to no guidance on how to integrate climate-related considerations into UCT program design.

C. Energy Policy and Climate Goals

23. **Energy pricing reforms have long been a central feature of Fund-supported programs, primarily as tools to restore fiscal sustainability.** Historically, reforms targeting fossil fuel subsidies were driven by macroeconomic and budgetary imperatives, with limited attention to environmental and climate considerations. These subsidies, delivered through mechanisms such as price controls, tax exemptions, and direct transfers, have often imposed significant fiscal burdens, particularly in countries facing acute budget constraints. The Fund has consistently advocated for their reform to create fiscal space, improve the efficiency of public spending, and reduce regressive transfers that disproportionately benefit higher-income households. While environmental concerns have gained prominence in recent years, the Fund's engagement has remained anchored in its traditional core mandate, emphasizing the fiscal and distributional inefficiencies of such subsidies (Figure 4). The prominence of energy sector measures in program design thus predates the broader integration of climate-related objectives into Fund operations.

Figure 4. Categorization of Energy Policy Discussions by Objective
(Percent of energy-related excerpts)



Sources: Program documents; IEO staff calculations.
Note: See the Online Statistical and Methodological Appendix for further details on this exercise.

24. **More recently, the Fund has broadened its analytical and operational approach to fossil fuel subsidies, recognizing their dual fiscal and environmental dimensions, and became an "unexpected environmentalist."** This evolution has positioned the Fund as a leading voice in framing subsidy reform as a policy priority with both economic and climate benefits (Skovgaard 2021). Engagement has proceeded along two complementary tracks: first, through program conditionality, where subsidy reform has supported fiscal consolidation; and second, through research and policy analysis, which has underscored the environmental externalities associated with fossil fuel use. The Fund's adoption of a more expansive definition of subsidies, including the failure to price externalities such as air pollution and greenhouse gas emissions, has reinforced its advocacy for carbon pricing, particularly through corrective taxation, to align fiscal policy with climate objectives.

25. **The Climate Strategy highlighted the dual benefits of fuel and energy subsidy reforms, for external stability and advancing climate mitigation in IMF-supported programs, but views diverged on whether lending was the best avenue.** It cited programs, such as Egypt and Tunisia (2016) and Ukraine (2015), where energy subsidies played a central role (IMF 2021a). These programs included actions such as raising fuel/electricity prices toward cost recovery via sizable tariff hikes and automatic indexation; phasing out generalized energy subsidies while strengthening targeted social support; and, where relevant, advancing energy-sector governance (e.g., Naftogaz reform).Together, these measures helped contain fiscal and external imbalances and, by correcting price signals, discouraging fossil-fuel overconsumption. There is also a view held by some staff and Executive Directors that climate mitigation is best addressed through Fund surveillance rather than lending. Directors' views during the Climate Strategy discussions noted that climate-related conditionality may unfairly place mitigation burdens on low- and middle-income countries with minimal emissions, since the Fund cannot enforce such conditions on high-income major emitters who rarely have program engagement (IMF 2021a).

26. **In these programs, while energy pricing reforms met fiscal and BOP goals, climate mitigation benefits were unclear.** In Egypt, Tunisia, and Ukraine, there was a significant reduction of subsidy-related pressures and major quasi-fiscal deficits were reduced. However, while these measures are consistent with IMF analytical work showing that cost-reflective pricing curbs fossil-fuel overconsumption (Black, Liu, and Parry 2023), the programs themselves did not quantify emissions reductions or explicitly track climate outcomes. This suggests that, although the macroeconomic rationale for such reforms is robust and well-documented, their climate mitigation benefits remain largely inferred rather than empirically measured within program frameworks. Furthermore, our analysis does not identify an explicit dual linkage (fiscal and climate) in the excerpts addressing energy measures within these particular program examples.

Trade-off Between Short-Term and Long-Term Goals

27. **Civil society organizations (CSOs) have raised concerns that IMF-supported programs risk reinforcing fossil fuel dependency rather than enabling a transition to clean energy.** CSOs argue that the criticality of climate change has not been consistently reflected in program

design. Instead, they point to continued support for fossil fuel expansion—both directly, through subsidies and infrastructure investments, and indirectly, through macroeconomic frameworks that prioritize short-term fiscal objectives over long-term sustainability (Kentikelenis and Stubbs 2024b). In addition, academics have noted that the IMF's approach to BOP pressures through short-term fiscal consolidation, may not be consistent with mobilizing resources for climate transitions in the long run (Task Force on Climate, Development and the International Monetary Fund 2024). They call for a fundamental reorientation of IMF program design—anchored in a "do no harm" climate principle, alignment of all IMF financing with the Paris Agreement,[9] and the proactive promotion of renewable energy investments and just transition strategies.

28. **There is clear evidence that some recent IMF-supported programs support or are reliant upon fossil fuel extraction.** For example, Uganda's 2021 ECF program allowed a higher deficit to accommodate new oil infrastructure investment, and future oil exports were incorporated in the medium-term economic projections (IMF 2022c). In Argentina's 2022 EFF, the program emphasized improving the targeting of energy subsidies and moving tariffs toward cost recovery, while staff noted that expanding production and transport capacity in the Vaca Muerta shale formation could help strengthen the energy trade balance (IMF 2022a; 2023a; 2023b).

29. **The IMF's Articles of Agreement limit the Fund's ability to achieve full alignment with Article 2.1(c) of the Paris Agreement.** Given programs necessarily prioritize urgent macroeconomic stabilization, some countries may see a need to rely on fossil-fuel extraction in the short term to safeguard external and fiscal stability. This underscores a persistent tension between immediate stabilization and long-term decarbonization, particularly for economies that are not major greenhouse gas (GHG) emitters. Notwithstanding these constraints, the Fund could adopt a more proactive approach by explicitly integrating transition diagnostics and trade-off analyses into program design and by sequencing measures that both address near-term BOP needs and lay the groundwork for the potential or prospective BOP needs associated with energy transition and sustained emissions reductions.

IV. THE RESILIENCE AND SUSTAINABILITY FACILITY

A. Access, Terms, and Demand

30. **The 2021 IMF Climate Strategy, shocks related to the COVID-19 pandemic, and an allocation of SDRs set the scene for the approval and funding of the RST in 2022.** The successful mobilization of close to SDR 20 billion in RST loanable resources in less than 12 months reflects an unusual combination of developed countries' prior policy commitments and the financing opportunities created by channeling SDRs. In the context of the Paris Agreement developed countries had already committed to mobilizing $100 billion of climate

[9] Specifically, Article 2.1(c) of the international Paris Agreement on climate change by "making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development." For a more detailed discussion see Canseco, Gentle, and Pérez Verdía (2026).

finance for developing countries annually by 2020. This target was not met in 2020, and only in 2024 did the OECD confirm that it was met in 2022. Lending from the RST for climate purposes would count toward this goal, although RSF resources are not strictly entirely climate finance due to its fungibility. Accordingly, CSOs and academics argue that because the Fund has not aligned its financing framework with the Paris Agreement, RSF financing should not necessarily be classified as climate finance. At the same time, as a result of pandemic financing measures, developed countries' public debt had increased and fiscal consolidation was needed. SDR channeling, while preserving their reserve asset status, offered a route to augment climate financing without the need for significant budgetary resources (with only about two percent of total loan commitments for a reserve buffer) and without reducing usable reserves. An additional benefit was the potential to catalyze additional private climate financing. As aptly noted by one CSO "…the RST is a good deal for contributors, a nearly costless means to support other countries and deliver on a global public good" (Andrews, Plant, and Hicklin 2022).

31. **The RSF design was successful in motivating considerable interest in the facility, broadly in line with prior expectations of baseline demand** (Table 1). Twenty-six arrangements were approved in the period November 2022 to end-June 2025. Five pilot cases were approved between November 2022 and March 2023. Another 11 arrangements were approved in the remainder of 2023, five in 2024, and five more through June 2025. Total commitments through end-June 2025 were SDR 10.66 billion or 48 percent of the estimated baseline demand 2022–27.

32. **The approved RSF arrangements exceeded the expected level of access and had an average duration of 27 months.** Access committed averaged 112 percent of quota (excluding countries at the SDR 1 billion cap), with 14 arrangements at the maximum access (150 percent of quota or SDR 1 billion) including all of the five pilots (Costa Rica, Bangladesh, Barbados, Jamaica and Rwanda), eight arrangements at the norm (75 percent of quota) and four at other access levels (Benin, Cabo Verde, Cameroon, and Madagascar) of which only one was below the norm. By contrast, the 2025 RSF OGN states "In practice, it is expected that many access requests will be at the norm" (IMF 2025a) and the RST proposal had modeled demand with access at 100 percent of quota (or the SDR 1 billion cap). As required for qualification, RSFs have run concurrently with Fund-supported programs: six EFFs, six ECFs, nine blended ECF-EFFs, one SBA, two PCIs, one FCL, and one PLL.

Table 1. RSF Arrangements November 2022–June 2025

Country	RSF Approval	Duration (months)	Access		Concurrent UCT Arrangement	RSF Status June 2025
			Percent of Quota	SDR millions		
Costa Rica	Nov-22	19	150	554	EFF	Concluded
Barbados	Dec-22	36	150	142	EFF	Concluded
Rwanda	Dec-22	24	150	240	PCI	Concluded
Bangladesh	Jan-23	42	94	1000	ECF-EFF	Ongoing
Jamaica	Mar-23	24	150	574	PLL	Concluded
Kosovo	May-23	24	75	62	SBA	Concluded
Seychelles	May-23	36	150	34	EFF	Ongoing
Senegal	Jun-23	37	75	243	ECF-EFF	Off-track
Niger	Jul-23	30	75	99	ECF	Ongoing
Kenya	Jul-23	20	75	407	ECF-EFF	Cancelled
Morocco	Sep-23	17	112	1000	FCL	Concluded
Moldova	Dec-23	22	75	129	ECF-EFF	Ongoing
Cabo Verde	Dec-23	21	100	24	ECF	Ongoing
Benin	Dec-23	24	120	149	ECF-EFF	Ongoing
Paraguay	Dec-23	23	150	302	PCI	Ongoing
Mauritania	Dec-23	30	150	193	ECF-EFF	Ongoing
Cameroon	Jan-24	18	50	138	ECF-EFF	Concluded
Cote d'Ivoire	Mar-24	30	150	976	ECF-EFF	Ongoing
Tanzania	Jun-24	23	150	597	ECF	Ongoing
Madagascar	Jun-24	36	100	244	ECF	Ongoing
Papua New Guinea	Dec-24	24	75	197	ECF-EFF	Ongoing
Congo, Democratic Republic of	Jan-25	38	75	800	ECF	Ongoing
Egypt	Mar-25	19	49	1000	EFF	Ongoing
Pakistan	May-25	28	49	1000	EFF	Ongoing
Gambia, The	Jun-25	18	75	47	ECF	Ongoing
Jordan	Jun-25	30	150	515	EFF	Ongoing
Average / (Total)		**27**	**112**	**10,666**		

Source: IMF staff reports.
Note: Orange denotes the nine focus RSF arrangements that had concluded, gone off-track, or been cancelled by end-June 2025. 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.

33. **Interviews with staff and country authorities underscored that the need to strengthen climate resilience policies and attractive RSF financing terms were both prime motivators for RSF arrangement requests.** All approved RSF arrangements up to June 2025 have addressed climate-related reforms (e.g., measures for climate adaptation, mitigation, and resilience), and only one also addressed pandemic preparedness (Jordan).

- In early requests, especially the pilot cases (Bangladesh, Barbados, Costa Rica, Jamaica, and Rwanda) the authorities already had well-articulated national climate strategies and climate policy diagnostics in place, (e.g., CCDR, CCPA, C-PIMA). In these cases, the RSF

arrangement provided a structured framework to implement the climate strategy with financial incentives supporting policy implementation and reform momentum. In later cases, often characterized by less fully articulated climate strategies, diagnostic studies typically preceded the program request, although some cases went ahead without IMF/WB diagnostic studies, e.g., Kosovo.

- RSF financing terms are viewed as attractive for all RSF-eligible countries. In the IEO survey, 84 percent of staff and 60 percent of authorities agreed that the financing terms are attractive to a great or moderate extent. A comparison of alternative financing sources for budget support and/or budget financing demonstrates that the maturity and interest rate terms of the RSF are very competitive compared to other IMF facilities, other official finance, and private finance. The 20-year maturity (15.5 years average maturity) is significantly longer than any other Fund facility, and the interest rates are on a par with the shorter duration facilities (GRA, blend, and PRGT). Interest rates also appear to be significantly lower than World Bank or IDB climate-related budget support loans of a similar maturity and well below market financing interest rates for countries that have accessed international markets (Figures 5 and 6). Generally, authorities viewed the loan terms as "appropriate" although there was also interest in delinking Groups B and C from market interest rates.

Figure 5. Funding Terms RSF Group A and B Countries, March 2025

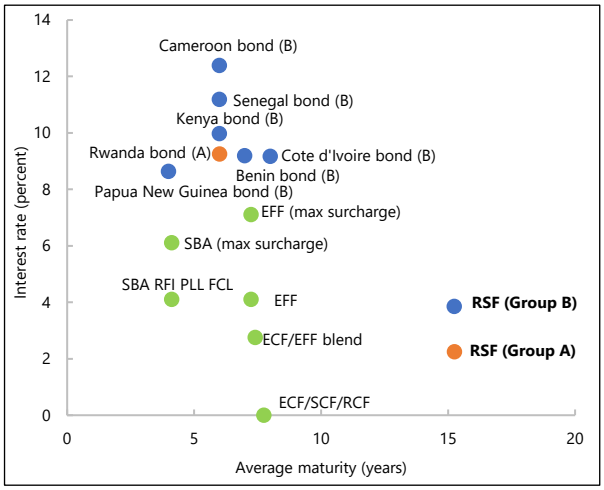
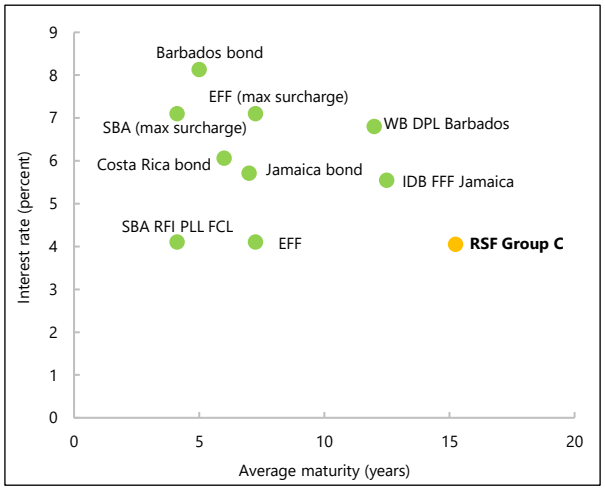


Figure 6. Funding Terms RSF Group C Countries, March 2025



Sources: IDB; IMF; World Bank.
Note: Interest rate for March 27, 2025.
Group A: PRGT eligible (non-blenders) (orange); Group B: PRGT eligible (blenders) (blue). Group C: all other eligible countries (yellow). Others (green).

34. **There is some evidence that IMF staff capacity to develop RSF arrangements requests was initially overstretched, and some rationing resulted**. The evaluation team did not find any evidence that RSF requests for eligible and qualified countries had been denied, although there was some temporary rationing of requests after the five pilots. In 2023, SPR

initiated a RSF priority country list for accessing climate technical assistance (TA). A period of about six months on the priority list would be needed to prepare the RSF request. By 2024, the need for the priority list diminished, as the number of interested new borrowers had peaked and more climate experts had been hired in functional departments. This shift allowed for broader and more efficient support without the need for prioritization (resource issues are discussed in more detail in Citrin and Rollins (2026)).

35. **Most country authorities and CSOs noted that RSF resources are dwarfed by the scale of financing needs for climate adaptation and mitigation, while staff tend to emphasize the RSF's catalytic impact**. Country authorities highlighted that nationally determined contributions (NDCs) financing needs to 2030 and beyond are scaled in tens of billions of U.S. dollars whereas RSF financing is limited to $1.37 billion (SDR 1 billion) and that once the cumulative access limit is reached there are no further RSF resources available. Commitment under RSF arrangements has risen markedly since 2022, reaching $5.6 billion in 2023, $2.8 billion in 2024, and $4.5 billion in 2025 (IMF 2026a). However, the lack of updated climate finance data constrains an assessment of the Fund's annual relative contribution.[10]

36. **External stakeholders have presented proposals to complement RSF lending and increase its scale.** The Task Force on Climate, Development and the IMF recommended complementing RSF lending for medium-term BOP stability with liquidity support and more broadly to augment lending capacity (Task Force on Climate, Development and International Monetary Fund 2024). Specific proposals include: (i) committing IMF financing in support of the Paris Agreement's goal of limiting warming to 1.5C (which is not mentioned in the Climate Strategy); (ii) increase the RST's capitalization, remove the concurrent program requirement, and lift the RSF lending cap of SDR 1 billion ($1.3 billion) per country; and (iii) include in the analyses of the adequacy of Fund resources the potential impacts of climate shocks and overlapping crises, and address the increase in needs in forthcoming quota reviews.

37. **On the other hand, many interlocutors at the country level noted that the scale of RSF lending compared quite favorably with financing available from other IFIs and RDBs**. This was particularly true when considering both RSF and UCT arrangements financing together. As a result, as noted by these interlocutors, in some cases other IFI and RDB financing for climate-related purposes were crowded out, at least temporarily, by Fund financing (see also the discussion below on catalytic impact of RSF lending), given limits on borrowers' implementation and absorption capacity.

[10] See Canseco, Gentle, and Pérez Verdía (2026) for a more in-depth discussion.

B. Design and Implementation of Reform Measures

Coverage of Mitigation, Adaptation, and NDCs

38. **Climate indicators confirm that RSF arrangements were requested by countries relatively vulnerable to climate change, not well prepared to address climate challenges, and small GHG emitters mainly facing adaptation issues** (Table 2). These countries had relatively low per capita GHG emissions and a high share of renewables in their total energy supply. This combination results in a small contribution of total GHG emissions from RSF requesting countries totaling 3.6 percent of global emissions, which includes emissions from Pakistan which is one of the top 20 emitters. Nonetheless, RSF-eligible countries have higher vulnerability and lower readiness scores compared to non-RSF eligible countries. These indicators confirm that the main policy challenges faced by RSF requestors are related to climate adaptation and not climate mitigation consistent with the views expressed by country authorities in the vast majority of countries, although their NDCs also include mitigation goals.

39. **The RSF OGN could benefit from further nuance to elevate the prominence of cross-cutting and adaptation-related measures**. Annex V of the RSF OGN provides illustrative examples of "strong reform measures" primarily focused on climate mitigation and transition policies. While these examples are valuable, they underplay the relevance of cross-cutting and adaptation-related measures. However, in 2025 internal guidance for reviewers established that key criteria for assessing the reform package should emphasize adaptation for the most vulnerable countries and mitigation for relatively large emitters, advice that was missing in the OGN.

Table 2. Climate Indicators for RSF-Eligible, RSF-Requesting, and Non-RSF-Eligible Countries[1]

	Non-RSF Eligible	RSF-Eligible	RSF-Requested (through end-June 2025)
Average of GHG emissions per capita (IMF CCID)	12.4	4.8	2.5
Sum of Share of total GHG (IMF CCID)	29.0	69.9	3.6
Average of ND Gain vulnerability index (IMF CCID)	0.33	0.46	0.48
Average of IMF Adapted readiness score (IMF CCID)	0.66	0.38	0.37
Average of Share of renewables in total energy supply	0.19	0.31	0.49

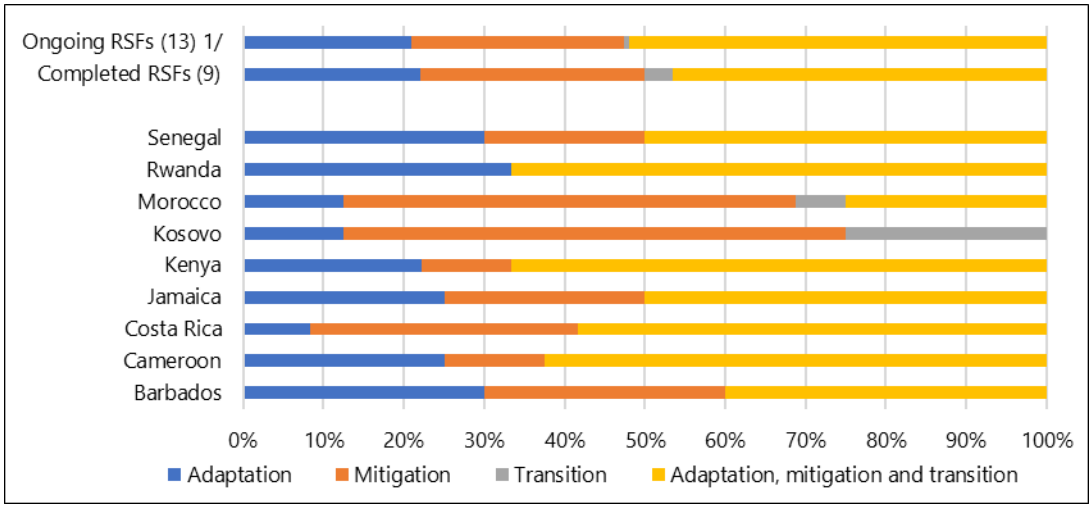
Source: IMF Climate Change Indicators Database.
[1] Excludes countries that are not members of the IMF.
Note: Higher vulnerability scores indicate greater climate vulnerability, while higher readiness scores indicate stronger adaptive capacity.

40. **The primary policy objectives of RMs are predominantly cross-cutting, reflecting Public Financial Management (PFM) and financial sector measures, followed by mitigation and then adaptation measures** (Figure 7).[11] Cross-cutting measures, which can simultaneously

[11] The distribution of RMs is similar to that observed in the 2024 RST Interim Review which assessed the first 18 arrangements.

support adaptation, mitigation and transition objectives account for about half of all measures in both completed and ongoing RSFs. These measures arise mainly from green PFM and financial sector measures where Fund staff can often—but not always—draw on in-house expertise. Despite adaptation being the most commonly cited climate challenge by country authorities, a greater weight is placed on mitigation measures. This trend is evident in both completed and ongoing programs although countries' NDCs typically emphasize the importance of both adaptation and mitigation measures. While mitigation is a local priority in a minority of cases, (e.g., polluting coal fired power stations in Kosovo), in most cases, the rationale appears to be the global public good aspect of mitigation policies. In some cases, SDS authorities and development partners criticized the RSF for overemphasizing mitigation, e.g., Barbados, where adaptation needs are greater and some stakeholders viewed the inclusion of mitigation as largely for optics. That said, some measures classified as mitigation also play an important role in reducing reliance on costly energy imports, thus improving the fiscal, financial and external resilience of the country.

Figure 7. Reform Measures by Primary Policy Objective



Source: IEO assessment of reform measures.
1/ Excludes Egypt, Pakistan, The Gambia, and Jordan.

41. **The moderate emphasis toward climate mitigation policies over adaptation policies, in countries that are low per capita GHG emitters, arises largely from institutional strengths and gaps.** The Fund has considerable in-house expertise on carbon taxes, especially fuel taxes and subsidies (as demonstrated in climate-related conditionality in non-RSF arrangements), as they also can provide significant fiscal benefits. In fact, these measures would normally be included as measures in UCT programs. Conversely, the Fund has clearly identified adaptation investment needs and their macro-fiscal implications (Aligishiev, Bellon, and Massetti 2022; Bellon and Massetti 2022a, 2022b). The Fund also has strengthened its adaptation expertise, particularly within FAD, in areas with direct fiscal relevance that affect budgetary risks, public balance sheets, and debt dynamics—including disaster risk financing, water sector reform, climate-resilient public investment, and climate-related contingent liabilities—supported by targeted hires and by leveraging existing strengths in PIMA and SOE reforms. The expansion in

expertise is reflected in the predominantly cross-cutting nature of RSF RMs. However, relatively limited capacity in some sector-specific adaptation areas at the country-team level persists. As a result, teams often need to rely on other institutions' expertise which can sometimes disincentivize the inclusion of such measures. Nonetheless, country authorities interviewed by IEO noted that adaptation should be as prominent as mitigation in program design.

42. **There is also a perception that an exceptionally strong set of RMs needs to incorporate a carbon tax or other strong mitigation measures, which may be difficult to implement in the duration of an RSF arrangement.** This perception may at least in part reflect policy priorities of several advanced economies on the Executive Board. Also, mitigation measures are generally assessed by the IEO to have more depth than other measures: on average, mitigation measures in the seven completed or cancelled RSFs have slightly more depth (1.9 out of a maximum score of 3) than adaptation measures (1.8), or cross-cutting measures that potentially can impact mitigation, adaptation, and transition (1.7). In discussions with some country authorities, they noted that the feasibility of carbon tax measures in the short duration of an RSF arrangement is questionable. For example, in Kenya, an RM promoting carbon pricing was viewed ex post by the authorities as not feasible and not necessary, as the underlying UCT program eliminated fuel subsidies. Staff noted one case where the access discussion hinged on eliminating gas flaring which, in the event, was deemed not feasible in the duration of the RSF arrangement. Such measures appeared to be crucial in securing higher access, even if they were not among the country's priorities or were politically sensitive. Interviewed staff and country authorities indicated that the inclusion of mitigation reforms was viewed as a prerequisite for "strong" or a "exceptionally strong" package of measures, and ultimately for obtaining higher access levels, although this is not required under operational guidance.

43. **The RSF OGN notes that RMs should actively support countries in achieving their international climate commitments, such as NDCs goals.** Specifically, the RSF should apply a comprehensive diagnostic approach to ensure that reform packages are tailored to each country's specific circumstances, implementation capacity, and institutional settings, while maintaining alignment with NDC goals. Importantly, the guidance requires that any existing policies that contradict their proposed reform measures, such as deforestation or fossil fuel exploration in protected areas, must be addressed before RSF arrangements can be recommended. This approach emphasizes the importance of ensuring policy coherence with any policies that may run counter to the RSF's objectives. While the Fund has not formally aligned its operations to the Paris Agreement due to legal constraints, the RSF guidance represents a meaningful step toward ensuring that climate-related measures are consistent with countries' international climate commitments. Nonetheless, tension persists in RSF-supported programs where concurrent UCT arrangements include policies that may conflict with climate objectives, particularly in the energy sector, reflecting differences in time horizons and the need to address BOP pressures.

44. **In the context of the RSF, the tension between the desire for hydrocarbon revenues for short-term macroeconomic stability and longer-term climate resilience has been recognized.** Nine countries that requested the RSF are either established fossil fuel producers (Bangladesh, Cameroon, Egypt, Niger, Pakistan, and Papua New Guinea) or beginning production (Mauritania, Senegal, and Tanzania). In two cases (Mauritania and Senegal), there is an explicit reference to the need to ensure there is a coherence between forthcoming fossil fuel production and the need to reduce carbon emissions. In the other seven cases the focus is more firmly on policies and commitments to reduce domestic emissions through carbon taxes, fuel subsidy elimination, and promotion of renewables, but no or limited discussion of hydrocarbon production and outlook.

45. **Thematic areas covered by RMs supported under the RSF are generally well-aligned with countries' climate agendas and consistent with RSF OGNs.** These include national climate strategies, such as their NDCs and National Adaptation Plans (NAPs). However, as further discussed in Canseco, Gentle, and Pérez Verdía (2026) the degree of alignment varies across countries, and not all RMs are explicitly linked to these national climate frameworks. In several cases, RSF policy matrices have been explicitly designed to reflect core national climate priorities, thereby reinforcing country ownership and enhancing policy coherence (Box 2).

Box 2. Examples of RSF Linkages to Countries' Climate Agendas

Costa Rica: Resilience and Sustainability Facility (RSF) included the introduction of a feebate system to encourage low-pollution vehicles which supports its National Decarbonization Plan.

Rwanda: RSF supports climate budget tagging, a green taxonomy aligned with its nationally determined contribution (NDC), and financial sector reforms to strengthen climate-related disclosures.

Barbados: RSF underpins its commitment to transition to 100 percent renewable energy by 2030.

Seychelles: RSF focuses on climate finance mobilization and project pipeline development consistent with its NDC.

Kosovo: RSF supports and accelerates the implementation of the Medium-Term Energy Strategy 2022–2031, and institutional reforms aligned with EU climate commitments.

Bangladesh: RSF includes reforms on, public investment management, disaster risk financing, and the development of a green taxonomy, in line with its NDCs and National Adaptation Plans (NAPs).

Source: IMF Staff Reports.

Depth, Ambition, and Criticality

46. **The RSF established depth, ambition, and criticality as the main characteristics of RMs, leading to relevance and effectiveness.** However, the original RSF proposal provided limited guidance on the strength of measures emphasizing the need for a "package of high-quality policy measures." The 2023 OGN clarified that "strong RMs" should be critical, ambitious, and deep (IMF 2023c). "Critical" refers to reforms that are key to reduce risks to prospective BOP stability. "Ambitious" refers to reforms that would be unachievable within the same timelines in the absence of an RSF arrangement. High depth RMs are "reforms that lead to permanent

institutional changes, such as legislative changes (parliamentary approval), or conditions with long-lasting impact," while medium-depth reforms should "lead to significant change but are one-off in nature," including regulations and administrative guidance, and low-depth reforms, i.e., preparatory steps, feasibility studies and diagnostics, should be avoided other than in well-justified exceptional cases. The revised 2025 OGN, which would not have affected the design of nearly all RSFs approved to date, shifted emphasis from "strong RMs" back to a "high quality package of reform measures" where all RMs must be critical, and reforms that are not high- or medium-depth should generally not be considered as RMs, though some can have lower ambition or depth if they contribute to an ambitious package. Access above the norm would require an exceptionally strong package of measures. The design of RMs is not referenced in the 2024 OGN on Program Design which refers the reader to the RSF OGN.

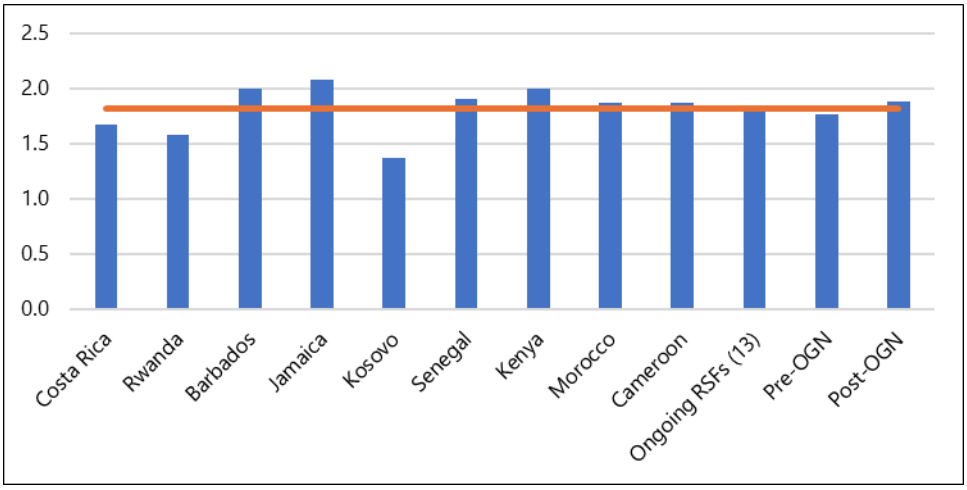
47. **While RMs seem to be aligned with climate agenda goals, CSOs found the depth of RSF RMs wanting**. An early review of the five pilot RSF-supported programs (Costa Rica, Bangladesh, Barbados, Jamaica, and Rwanda) and another looking at Costa Rica and Rwanda pilots draw the following lessons (Gupta and Brown 2023; Wainer 2023): (i) RSF arrangements should aim to increase the share of higher depth RMs (no RMs assessed as high depth) through additional climate diagnostics, in order to achieve the underlying objectives; (ii) RSF arrangements should highlight which RMs are most important at the outset reflecting reform depth. A follow-up assessment of the next five RSF requests (Gupta and Brown 2023) reports limited improvements in reform depth and in the extent of climate diagnostics. A later CSO report (Dimond and Gupta 2024) assessed whether programs approved after the RSF Guidance Note had increased reform depth. It found that progress was evident, especially in higher access cases, but reform depth still fell short of that in PRGT arrangements (as assessed, for example, in periodic RoC assessments of the depth of structural reforms).

48. **Overall, it appears that reform depth was lower than would be expected if all measures were medium- or high-depth.** This evaluation assesses reform depth of all RSF RMs approved through March 2025 using the assessment method defined in the November 2023 OGN. Reform depth is assessed as low-depth for reforms that in themselves do not bring about change but are steps to a change; medium-depth for reforms that lead to a significant change but are one-off in nature as compared to a permanent change; high-depth for reforms that lead to permanent institutional change, such as legislative changes or conditions with long-lasting impact.[12] Average reform depth was assessed as close to medium over the first 22 RSFs (1.8 on a scale of 1 (low) to 3 (high)). Consistent with CSO findings, there is a small improvement in the average RM depth after the guidance note which sets out in detail the requirements for high-depth measures and discourages the use of low-depth measures (Figure 8). Also, the share

[12] The assessment of reform depth in the May 2024 Interim Review of RSF used slightly weaker standards leading to an assessment of higher depth measures than using the OGN standards. Specifically, low depth measures are studies, data and diagnostics that represent steps to a policy change; medium depth are key intermediate and one-off steps towards deeper reforms, such as publishing reports or guidelines, and high depth reforms are lasting institutional changes, such as new legislation and regulations or broadened access to critical data.

of low-depth RMs declines modestly from 36 percent for RSF arrangements approved before the guidance note to 28 percent after the guidance note, while still remaining well above the level that might be expected if low-depth measures are only included in exceptional cases.

Figure 8. Average Reform Measure Depth



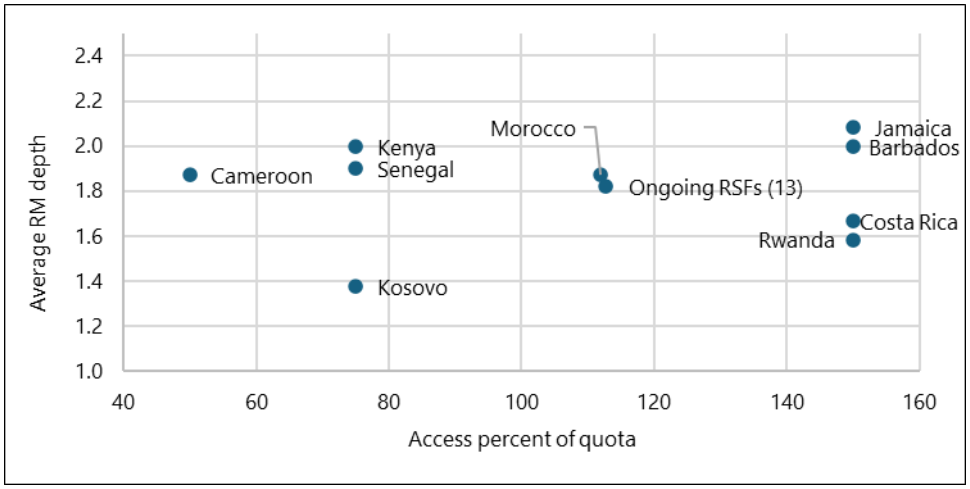
Sources: RSF Staff Reports; IEO assessment of reform depth.
Note: Average reform depth assessed using methodology from Operational Guidance Note (also used to assess reform depth in the 2018 Review of Conditionality). All RMs are equally weighted). Key: 1=low depth; 2=medium depth; 3=high depth.

49. **There is evidence that reform strength is weakly linked to the amount of RSF access** (Figure 9). Operational guidance for the RSF 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 was rather weak for completed RSFs with considerable dispersion of reform depth around arrangements at the norm (75 percent of quota) and at the maximum (150 percent). Some IMF country teams and country authorities were of the view that the expectations for reform depth increased after the pilot cases, which in all five cases received access at the maximum level, and again after the 2023 OGN was issued, what suggests that access tightened as the Fund gained experience with the implementation of the RSF.

50. **There is a significant gap in assessing the criticality of RMs in terms of their impact on prospective BOP stability**. The OGN stresses that critical measures will depend on country circumstances including "specific climate vulnerabilities, income level, and institutional capacity" while noting that measures should "close critical policy, legal, data and institutional gaps in the implementation of the national climate and pandemic preparedness objectives." Despite this, 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, or alignment to NDCs. RMs are uniformly linked to identical RSF arrangement disbursements, which suggests that they are equally critical. However, it is also recognized that RMs can differ in depth (see above) from low to high impact, yet staff reports make no attempt to highlight which measures are more impactful than others. The Morocco RSF is a notable exception in assessing RMs criticality. The

third Morocco RSF review uses a macro-model to quantitatively assess RMs contribution to decarbonization and BOP resilience, concluding that two of the RMs on energy taxes would reduce 2030 emissions by 16 percent relative to the baseline (IMF 2025b). More recently, outside the scope of the evaluation, an annex has been introduced to assess RMs impact on BOP stability in one RSF request (for The Gambia).

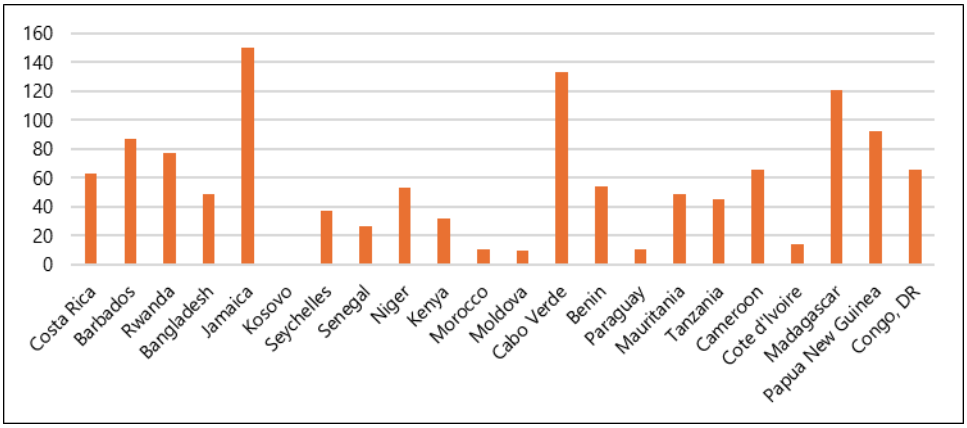
Figure 9. Average Reform Depth and RSF Access, RSF Arrangements



Sources: RSF Staff Reports; IEO assessment of reform measures' depth for ongoing RSFs.
Note: Excludes Egypt, Pakistan, The Gambia and Jordan.

51. **The RMs are expected to be ambitious in the sense that they would not have been achieved on the same timeline without the RSF arrangement**. Assessing ambition is difficult as the counterfactual cannot be observed. Nevertheless, the extent of staff engagement on climate issues prior to the RSF, particularly in surveillance, offers insight of prior engagement with authorities on climate reform issues and their ability to implement a strong reform agenda. In this regard, the pilot RSF cases seemed relatively well prepared as the previous Article IV had discussed climate issues in some depth, unlike many of the later RSF arrangement requests (Figure 10). However, Volz and Wojnilower (2026) find that some aspects of climate-related issues in surveillance were insufficiently addressed, particularly in terms of assessing the macrocriticality of climate-related risks and evaluating climate-related financing needs.

Figure 10. References to Climate in Prior Article IV Consultations for RSF Requests 2022–23, Count



Source: Article IV Staff Reports.

Notes: Article IV prior to RSF requests. Countries are shown in chronological order of RSF requests. Count refers to staff report references to "climate" excluding "business climate."

52. **From the authorities' perspective, RMs were mostly viewed as appropriately ambitious or, with the benefit of hindsight, slightly over-ambitious, and boosted reform momentum**. Authorities noted that many of the RMs were not new, with perhaps three-quarters already conceived in a national climate strategy or a climate diagnostic report. The main challenge they highlighted was technical implementation, with often limited administrative capacity, and the need for considerable support in the form of TA and training. Most authorities found the implementation timetable challenging and to some extent rushed—in part the quick pace was dictated by the short duration of the RSF in many cases which was tied to the remaining duration of the underlying UCT arrangement. Almost universally, authorities found that the RSF boosted the momentum of climate policy reforms.

Misalignment of Timeframes

53. **Another key concern is the misalignment between the short-term nature of UCT programs, and the long-term horizon required for climate-related reforms.** UCT arrangements typically span 18 to 36 months, while climate adaptation and mitigation efforts often unfold over decades. This temporal mismatch complicates the implementation of RSF-supported reforms, which may require more time to design, legislate, and execute. While some view the RSF as a valuable complement to UCT programs, others argue that its effectiveness is undermined by the rigid timelines and disbursement structures imposed by the UCT framework. The short duration of RSF arrangements can also limit their catalytic potential, especially when reforms are complex or politically sensitive. These concerns have led to calls for greater flexibility in program design, including the possibility of extending RSF timelines or decoupling them from UCT cycles.

54. **The relatively short timelines available to design and complete RMs limited the potential depth and criticality of those reforms.** This issue was frequently flagged as a concern by staff and authorities. In early RSF arrangements, the short duration was often linked to the length of the underlying UCT arrangement. The compressed timeframe poses additional challenges given the specific design-phase complexities of the RSF, which require deeper engagement with non-traditional Fund counterparts, namely, a broader array of line ministries and implementing agencies whose involvement is critical to ensuring reform ownership and cross-sectoral coherence. While the RSF duration has increased by a few months for later cases, the compressed timelines still constrained the development and implementation of more ambitious measures (Box 3), as also noted in the Interim Review of the RST. While RSF arrangements can be extended if a new qualifying UCT-quality program is approved for the member, this only applies to cases where cumulative access under the RSF was initially below the maximum.

Box 3. Examples of Where RSF Arrangement Timeline Limits Reform Measure Depth and Criticality

In **Morocco,** the introduction of a carbon tax was estimated by staff and authorities to take three to four years allowing for design, consultation, legislative approval, and implementing regulations. Therefore, in many cases, only the initial steps in the form of plan or design document could be implemented.

In **Kosovo** one measure required the Energy Efficiency Board to approve a plan to improve residential buildings' energy efficiency, but assessing the implementation of the plan fell outside of the RSF duration.

In **Costa Rica,** a measure envisaged publishing a review of existing tax incentives with a negative effect on the environment for the third and final review, which left no time under the arrangement to remove any harmful incentives.

Also in **Morocco,** the pressure to agree on an RSF arrangement quickly (from both the authorities and senior IMF staff/management) resulted in many of the reform measures (RMs) being adopted from other development partners' analysis. For these measures, the RSF arrangement served to accelerate implementation of already agreed measures.

Some TA providers noted that staff and authorities have a shared incentive to agree on "tick-box" measures such as strategies, guidance, and plans without allocating the necessary time for following up on implementation.

Sources: IMF staff reports and IEO interviews with authorities, development partners, and staff.

Implementation

55. **Reform measure implementation has been notably strong in seven of the nine completed RSF arrangements (Barbados, Cameroon, Costa Rica, Jamaica, Kosovo, Morocco, and Rwanda).** This performance appears to reflect the alignment of measures with the authorities' existing climate policy agenda and the link to TA in facilitating timely execution (Table 3). Of the seven RSF arrangements, all RMs were achieved except one in Morocco, where a carbon tax design was postponed for further analysis and consultation, and one in Cameroon, which implemented a platform to connect tax and forestry data for revenue collection. Overall,

approximately 76 percent of authorities who responded to the survey and have or had an RSF indicated that the RMs were already part of their country's agenda to a moderate or great extent prior to the RSF, which may help explain the strong implementation record. In two cases, Kenya and Senegal, the imminent expiration or cancellation of the underlying UCT arrangements led to the termination of the RSF arrangements with few RMs implemented—in Kenya, two reviews were concluded with three out of seven applicable RMs met; and in Senegal, one review was completed with two RMs met (an additional two RMs were completed but the associated review was not completed due to an off-track UCT arrangement). In these two cases, country authorities thought that the concurrent UCT requirement was not helpful and should be reviewed. In both cases a new UCT arrangement is envisaged in due course.

56. **The direct link between disbursements and reform delivery seems to have reinforced the strong incentives for timely implementation and completion.** A comparison of implementation rates against structural benchmarks under the concurrent UCT program (where applicable) shows that on average implementation was higher for RMs (79 percent) than for structural benchmarks (69 percent), perhaps because RSF financing is proportionately linked to RM completion whereas UCT arrangement reviews can be completed with no loss of access if SBs are not met.

Table 3. Reform Measures Implementation

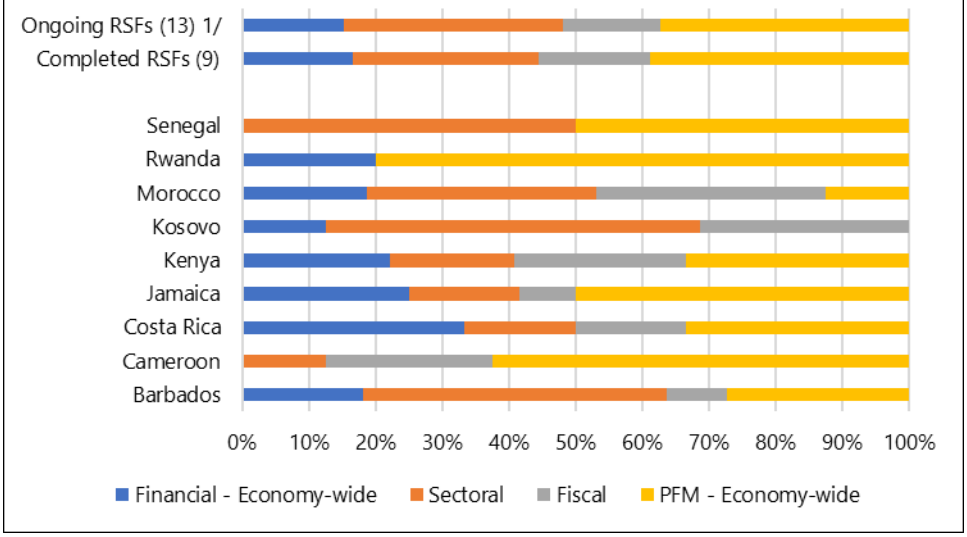
	Duration (months)	Number of Reforms	Met or met with delay
Costa Rica	19	12	12
Barbados	36	10	10
Rwanda	24	15	15
Jamaica	24	12	12
Kosovo	24	8	8
Senegal	37	10	2
Kenya	20	9	3
Morocco	17	16	15
Cameroon	18	8	7
Completed RSFs (9)	24	11	9
Ongoing RSFs (13) [1]	29	12	n.a.

Source: IMF Climate Change Indicators Database.
[1] Excludes Egypt, The Gambia, Jordan, and Pakistan.

57. **Evidence from completed RSF arrangements shows that RMs emphasizing sectoral policies beyond the Fund's traditional core expertise create non-trivial implementation, accountability, and monitoring challenges.** The focus of RMs differed significantly across the completed RSF arrangements from a focus on more traditional Fund competencies (PFM and fiscal measures) to a focus on sectoral policies where the Fund relied on the expertise of others, which poses some implementation risks (Figure 11). At one end of the spectrum are RSF arrangements where most of the measures focused on green PFM, e.g., Rwanda (climate budget

tagging and investment appraisal) where the measures could be drawn almost exclusively from Fund technical advice and be directly monitored by Fund staff. At the other end of the spectrum are RSFs that had strong focus on sectoral policies, e.g., Senegal (transportation, electricity, construction) and Kosovo (electricity) where close collaboration with other TA providers was needed for elaboration of some or most of the measures and for monitoring implementation. In other cases, proposals for sectoral measures were discouraged during the review process, leading to a perception of a lack of evenhandedness. Staff acknowledged that the reliance on other partners posed some risks if the expertise needed was terminated or simply not available as staff did not feel confident in assessing the quality of measures implemented. Most RSF arrangements had a couple of financial sector measures, typically climate risk disclosures by banks and the development of a green taxonomy, which are within the expertise developed by the Fund and that can be more easily monitored and supported (see also discussion on collaboration with partners below).

Figure 11. Reform Measures by Type



Source: IEO assessment of Reform Measures.
1/ Excludes Egypt, The Gambia, Jordan, and Pakistan.

C. Integration with the IMF Lending Framework

58. **Views on the utility of the UCT requirement for RSFs are divergent.** Stakeholders are divided, from those that see it as an essential assurance for funding, to those that see in it a significant barrier to uptake.

- In line with its original rationale, most staff and RSF contributors see the linkage as a necessary safeguard to ensure macroeconomic stability, prevent use of RSF resources for short-term BOP needs and preserve the reserve asset quality of the RST (64 percent of staff that have worked on RSF arrangements consider that, to a moderate or great extent, the RSF design is appropriate in requiring an underlying UCT arrangement). Moreover,

some consider that it provides a policy anchor that aligns climate financing with the Fund's traditional mandate and reassures contributors of prudent resource use. Therefore, delinking the RSF from UCT programs would erode its credibility and blur the distinction between the IMF's macroeconomic role and the development-oriented mandates of institutions like the World Bank. There is also a risk of "facility shopping" with delinking where countries might use cheaper RST resources to cover short-term BOP needs, which should normally be addressed under GRA or PRGT programs. Others have highlighted its instrumental role in securing contributor support. Countries already in Fund-supported programs have generally accommodated the requirement, though not without challenges.

- However, some country authorities have requested that RSFs be made easier to access on a stand-alone basis (2022 Bridgetown Initiative, and Rambarran 2024) as the UCT requirement creates an artificial barrier for countries that are fiscally sound but face urgent climate challenges (V20 Group of climate Vulnerable Countries 2023; Task Force on Climate, Development and the IMF 2024). Countries with off-track programs expressed concern that RSF access was disrupted, arguing for a separation between climate and macroeconomic objectives. Countries not currently in programs, especially those with stronger fundamentals, voiced greater reservations, emphasizing that climate vulnerabilities warrant a separate instrument. Small island states, in particular, viewed the RSF's current design as misaligned with their needs and advocated for a climate-focused instrument independent of UCT conditionality (37 percent of authorities and 36 percent of staff indicated that the UCT requirement is either not at all or only to a slight extent an appropriate feature of the RST design in the IEO survey). Many small or climate-vulnerable countries are unable or unwilling to enter UCT programs due to stigma, or political constraints. They believe that an IMF-supported program, including a signaling arrangement such as a PCI, could signal economic difficulties and reduce external financing rather than catalyze additional financing. An additional concern is the fact that some eligible countries, notably fragile and conflict-affected states, have limited capacity to design and implement reforms, and undertaking both programs at the same time can overstretch their capacity. As a result, these countries are excluded from RSF support despite facing acute climate risks.

59. **Some intermediate or limited delinking options are worthy of consideration, e.g., in the upcoming RSF Review.** For example, a partial delinking such that the RSF arrangement can continue for a longer period than the concurrent UCT arrangement. This would permit longer RSF engagement with potentially deeper reform measures, but would not help countries that did not need or want a UCT arrangement in the first place. Another option could be waiving the UCT requirements for vulnerable climate countries, particularly for SDS, with access capped at a lower level than for RSFs with a concurrent UCT arrangement, e.g., up to 25 percent of quota or in line with annual and cumulative RCF/RFI access limits. In place of a UCT link, RSF qualification could be made conditional on a positive assessment in a prior Article IV consultation indicating no

significant macroeconomic policy corrections are needed, perhaps with a lower cumulative access limit. Also, staff are considering other alternatives such as non-disbursing or "signaling" RSF arrangements. However, the IEO found no significant interest in a signaling RSF arrangement during interviews with authorities.

60. **A CSO critique of the RSF is that the Fund overemphasizes consolidation over long-run resource mobilization in concurrent UCT programs fiscal**. Specifically, using a sample of 20 RSFs, it was found that 80 percent of programs, i.e., the concurrent UCT program, called for fiscal consolidation (Kentikelenis and Stubbs 2024a; 2024b). In these cases, the consolidation would offset at least some of the benefits of the RSF, recognized in the Interim Review, to increase policy space for fiscal spending and reforms associated with qualifying longer-term structural challenges (IMF 2024a).

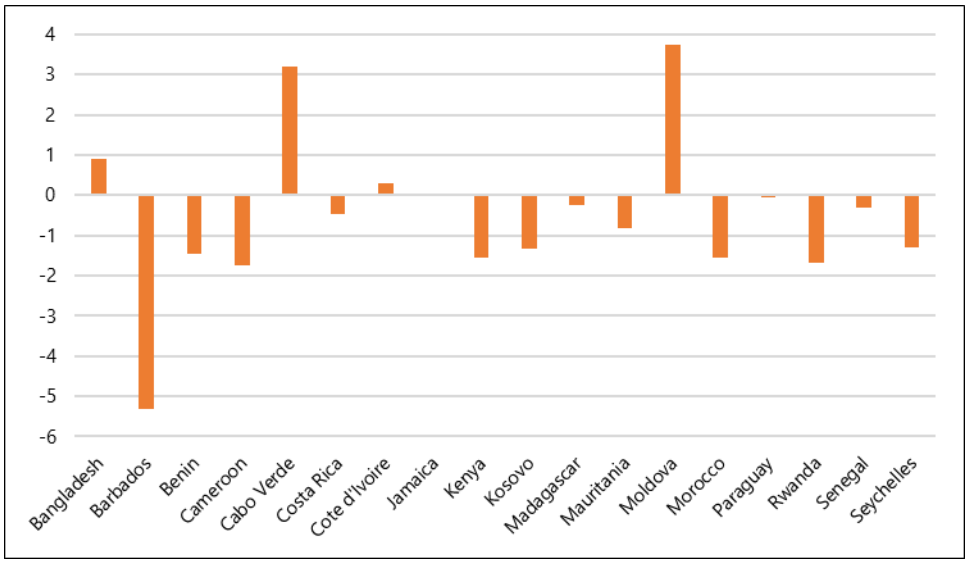
61. **IEO estimates also find that fiscal consolidation as a share of GDP is envisaged in most of the concurrent UCT arrangements, although real primary spending is projected to increase in nearly three-quarters of arrangements.** Two thirds (12 out of 18) of a sample of RSF arrangements approved envisage some consolidation in the overall fiscal balance as a share of GDP.[13] The concurrent UCT arrangements appear overall to mostly constrain rather than expand primary (non-interest) spending as a share of GDP. About two-thirds of a sample of arrangements approved in 2022–24 (13 out of 22) project a reduction in primary (non-interest) spending during the program period expressed as a share of GDP (Figure 12). However, projected real primary spending, i.e. adjusted for inflation, increases in three-quarters (14 out of 18) arrangements (the exceptions being Barbados, Costa Rica, Jamaica and Moldova). Thus, while the intent of the RSF arrangement is to create fiscal space for climate-related spending or investment, including through catalyzing other climate finance, the underlying UCT arrangement may make this difficult on a net basis in some cases.[14] This is also consistent with the intended use of RSF financing, which in some cases is to substitute for more costly financing rather than to finance additional climate investments. Country authorities noted that the adjustment envisaged in the underlying UCT arrangement was necessary with or without the RSF arrangement, and that the RSF supported reform momentum on climate policies (see also the discussion on additionality of RSF below).

[13] Using MONA data, we use the program projections in the underlying UCT arrangement at the time of the RSF request and compare the fiscal balance in the final year of the RSF arrangement with the fiscal balance in the year of the RSF request.

[14] In principle, a reduction in primary spending could support climate objectives, for example when it reflects the elimination of energy subsidies.

Figure 12. Change in Primary Spending Over RSF Duration, Sample of RSFs Approved, 2022–24

(As projected at time of RSF approval in percent of GDP)



Sources: IMF MONA database; IEO staff calculations.

D. Value Added of the RSF and Use of its Resources

62. **RSF resources are used to build buffers or support additional climate-related spending, but their fungible nature has been criticized by CSOs and academics.** IEO surveys and interviews indicate that RSF resources are used for all these purposes. For example, the survey of RSF recipients indicates that 81 percent agree with the statement that the RSF "increased policy space for fiscal spending and reforms associated with climate change-related needs" to a moderate or great extent, while 69 percent agreed that the RSF "augmented longer-term buffers to face climate change-related shocks," and only 50 percent agreed that the RSF arrangement covered short term needs associated with RSF-supported reforms. Staff responses to the same question, based on a significantly larger number of responses, were broadly similar. The main criticism is that the short-term focus of the underlying UCT arrangement can divert RSF funding away from longer-term climate priorities. Although earmarking of fiscal resources is generally not recommended, consistent with Fund practice, some CSOs and academics note that the lack of earmarking for climate-specific spending raises concerns about whether RSF financing is truly additional or merely substitute for other sources of financing.

63. **In terms of the value-added of the RSF**, **both staff and country authorities offered a strong positive assessment.** The provision of additional budget financing on attractive terms and, in some cases as discussed previously, catalyzing other climate finance, were mentioned as key drivers. Authorities also valued the flexibility and speed of RSF disbursements compared to traditional project-based financing. Most authorities who currently have or previously had an RSF arrangement indicated that the facility provided value added to a moderate or great extent. In

comparison, approximately 63 percent of staff involved in RSF lending shared the same view, recognizing value added to a moderate or great extent.

64. **The perception of value added was stronger for RSF arrangements where all or nearly all of the RMs were implemented.** In those cases where the RSF arrangement was interrupted due to the expiration (Kenya) or going off-track (Senegal) of the concurrent UCT program, the perception was weaker. In addition to affordable financing terms and catalytic impact, interviewees highlighted several other channels through which the RSF provided value added: (i) practical support and actionable guidance for challenging policy reforms supporting the momentum of policy implementation (Barbados, Kosovo, Rwanda); (ii) quick disbursements and efficient simplified procedures (Kosovo and others in uncompleted RSFs); (iii) a more unified approach to climate action across different stakeholders (Barbados and others in uncompleted RSFs); and (iv) accelerating the implementation of climate-related reforms. Most interviewed authorities acknowledged that, absent the facility, such reforms would have been delayed or not undertaken at all, underscoring the RSF's catalytic and disciplining effect.

65. **The RSF serves as a powerful signaling tool and provides a structured framework to advance climate-related reforms that might otherwise receive limited attention under a UCT arrangement.** The RSF reinforces market confidence endorsing a country's climate agenda and enhancing creditworthiness through the combination of a Fund-supported program and a dedicated climate policy track under the RSF. Unlike UCT programs, which focus on addressing shorter and medium-term BOP needs, the RSF targets long-term vulnerabilities and prospective BOP risks, an essential consideration for building climate resilience. By supporting a comprehensive policy package rather than isolated measures, the RSF can potentially catalyze additional financing and foster sustained reform momentum. Survey evidence underscores the perceived value of the RSF: views among country authorities are split, with 51 percent indicating that climate objectives cannot be achieved through non-RSF facilities, while 49 percent report moderate or greater feasibility; staff are more skeptical, with 62 percent indicating such objectives are not achievable, or only to a slight extent, without the RSF.

E. Catalytic Role of the RSF

66. **The RSF was intended by design to play a catalytic financing role**. As the climate financing needs are significant, the RSF proposal had a cursory discussion of how climate financing might be catalyzed through close coordination with the World Bank and other IFIs. The 2023 OGN provides additional reasoning noting that policy reforms, capacity development and financing could play a catalytic role, and that strong RMs would typically have a catalytic effect. The 2025 OGN also highlighted the cases of Rwanda and Barbados where the Fund played a convening role for suppliers of climate finance.

67. **The evidence on the RSF playing a catalytic role is mixed**. Seventy-two percent of respondents to the IEO authorities' survey thought that the RSF played a catalytic role to a moderate or great extent, compared to only 39 percent of staff respondents. Early RSF adopters

appear more positive than later adopters; 86 percent of the former report the RSF has been successful to a moderate or great extent, compared with only 64 percent among later adopters. This difference may reflect the fact that later adopters have not yet seen the full results of these efforts. Beyond the direct catalytic effect, both staff and authorities considered that the RSF added value in mobilizing climate finance. Recent staff econometric work comparing financing for RSF users with a representative control group of non-RSF users finds a higher catalytic effect for official development assistance (ODA) for PRGT-eligible countries (Diallo and others 2026). The same study finds no catalytic impact on private financing for PRGT or non-PRGT users, which according to a survey of desks was mainly because of structural investment impediments and risks existing prior to any climate considerations. Some CSO research suggests that RSF arrangements' catalytic effect is unproven, especially as relates to the private sector (Task Force on Climate, Development; IMF 2024). This Task Force report recommended that for the RSF to enhance its catalytic role it should support guarantees for debt restructurings and other financial instruments.

68. **IEO Interviews with staff and country authorities confirm the mixed catalytic role of the RSF, although on balance the impact is positive.** Positive impacts were reported by staff and authorities in Barbados, Jamaica, Kosovo, Madagascar, and Rwanda (see Annex V for additional details). In these cases, official finance was catalyzed from the African Development Bank, the Global Environmental Facility, and the French bilateral agency, while RSF financing helped set up climate financing agencies in Rwanda and Jamaica that could potentially catalyze private finance in the future. In other cases (Costa Rica, Morocco, Senegal), the catalytic impact of the RSF was ambiguous, as respondents noted that the concurrent UCT arrangement could also catalyze finance, while in some cases respondents noted that it was too early to tell, e.g., Senegal. There were also cases where staff from development partners noted that the combination of UCT and RSF financing effectively crowded out other climate finance budget support providers, leading to project postponement or scaling back (Costa Rica and Kenya). Overall, the catalytic impact was more mixed than the assessment in the Interim Review based on a survey of staff and authorities.

69. **While not formally embedded within the RSF architecture, climate finance roundtables have emerged as a complementary instrument to support stakeholder coordination and catalyze climate-related financing.** Led by MCM, these roundtables are 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 widely acknowledged in interviews with staff, authorities and development partners, with the RSF and associated roundtables serving as effective platforms to bring together government authorities, development partners, donors, and private sector stakeholders, e.g., in Madagascar or Rwanda. Authorities noted that the roundtables have facilitated stakeholder alignment, supported the development of project pipelines, and enabled the design of blended finance structures. Nonetheless, both staff and country authorities underscored the substantial resource demands associated with organizing these events. Some also pointed to mixed results, with some roundtables perceived as largely symbolic and lacking in clearly measurable outcomes. Only

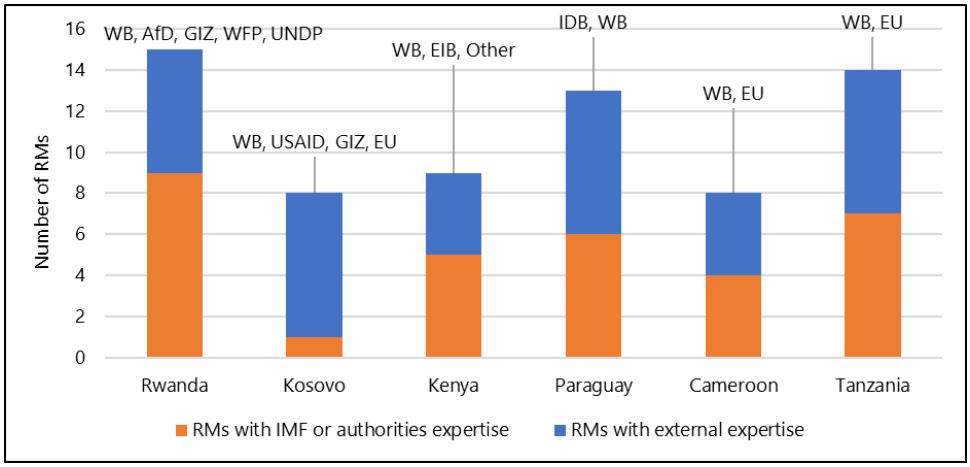
30 percent of country authorities considered that the roundtables helped catalyze resources to a great extent, while 30 percent viewed them as not at all or slightly catalytic. In contrast, staff were more skeptical, with around 69 percent indicating that roundtables contributed either slightly or not at all, and only 11 percent assessing their contribution as significant.

70. **While it is too early to determine the overall catalytic effect, the RSF has been helpful for signaling countries' commitment to green agendas.** Where held, the climate roundtables have contributed to coordinating the efforts of countries and development partners. More broadly, engagement with partners has enhanced the areas covered by RMs and supported the Fund in sectoral areas, although coordination challenges exist.

F. Collaboration and Coordination with Partners

71. **Collaboration with partners has been a critical element in designing, implementing and monitoring many RMs, as also noted in the 2024 RST Interim Review.** To gauge the extent of collaboration, the evaluation has identified key collaborators for each reform measure in a sample group of RSF arrangements. The evidence from this sample shows that collaboration can involve several activities including the use of partners' diagnostic reports, such as the World Bank CCDR, soliciting feedback or inputs on the criticality, ambition and depth of measures, and provision of TA or training to support design or implementation. Our sample indicates that it is not unusual for collaboration with partners (excluding country authorities) to involve at least half of the RMs (Figure 13). Collaboration is particularly important for sectoral measures, e.g. power sector, among others, and is frequently employed for climate budget tagging, green taxonomy, and other financial sector measures.

Figure 13. Collaboration with Partners for a Sample of RSFs



Sources: Staff reports; interviews with staff, country authorities, and partners.
Note: AfD = Agence française de développement; EIB = European Investment Bank; EU = European Union; GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit; IDB = Inter-American Development Bank; UNDP = United Nations Development Programme; USAID = U.S. Agency for International Development; WB = World Bank; WFP = World Food Programme.

72. **Collaboration with the World Bank was envisaged from the outset and has expanded to other partners over time.** A framework for collaboration with the World Bank was developed as a part of the 2022 RST proposal and is detailed in an annex to the policy paper. The framework focused on five key areas: diagnostics, policy priorities, conditionality, implementation supervision, and program documentation (including a World Bank Assessment Letter of Climate-Related Policies). An enhanced partnership on climate issues between the Fund and the IDB was announced in July 2024, building on collaboration in the RSFs for Paraguay, Jamaica, Barbados, and Costa Rica (IMF 2024c). However, this would have been more beneficial if agreed prior to some, or all, of the RSFs approved in Latin America and the Caribbean. Beyond the framework itself, it was noted that engaging RDBs early during the design phase of the RST, similar to the consultations with the World Bank, would have been beneficial in strengthening coordination and aligning expectations. While collaboration with the Asian Development Bank (ADB) has so far been relatively limited—primarily in the context of Pakistan and Papua New Guinea, ADB staff noted that joint work on the design of the reform matrixes was effective, with IMF staff considering collaboration in Pakistan has been in-depth.

73. **Both staff and country authorities generally assessed Fund collaboration with partners at the country level as effective.** Surveyed authorities were particularly positive in their assessment of the IMF's collaboration and coordination with external partners. Ninety percent indicated that such collaboration was effective in the design and implementation of RSF arrangements, either to a moderate or great extent. Staff also expressed a favorable view, though to a lesser degree, with approximately 66 percent rating the collaboration as effective to a moderate or great extent. Strong relationships on the ground were seen as essential to successful collaboration and program implementation. The mission chief and, where applicable, the resident representative are usually instrumental in building collaboration. The Country Policy Diagnostic (CPD) when undertaken also offers an opportunity to discuss preliminary assessments of key issues and potential RMs. Regional technical assistance centers (RTACs) and training institutes, where bilateral donors are represented on steering committees, also contribute significantly.

74. **While welcoming the collaboration, some development partners pointed to concerns regarding Fund engagement on sectoral climate issues, including in cases where a partnership framework existed.** Partners generally welcomed collaboration with the Fund on climate issues, including in areas where the Fund lacks expertise. It was noted that the collaboration raised awareness of climate issues in finance ministries and provided an impetus to reform momentum particularly in areas where progress had stagnated. Nonetheless, some sectoral experts, especially at the World Bank, were concerned about possible Fund institutional drift into sectoral policies, e.g., energy, irrigation. Moreover, some RDB staff noted that the World Bank is not automatically the best avenue for IMF collaboration in countries where RDBs have larger footprints on the ground. They also believed that earlier and timelier consultation, i.e., before RMs have been decided, would have been beneficial, especially in pilot cases when collaboration modalities were being developed, and that partner capacity development efforts

were absorbed by the Fund without coordination or credit. Relatedly, some RDB staff expressed concerns about the Fund using data and research without proper coordination or credit. Resource concerns were also highlighted, as many development partners' staff participate without compensation and collaboration has to be financed by internal resources. While there was recognition that a more formalized collaboration framework could be beneficial, interviewees also highlighted legal constraints that hindered the establishment of such arrangements.

75. **Overall, IMF staff noted that there was a tension between leveraging the RSF as an IMF brand and ensuring substantive collaborative climate-related work.** A clear delineation of responsibilities in the form of collaboration frameworks or terms of reference could help to minimize this tension and reduce overlapping mandates. To foster more effective collaboration and reduce duplication of efforts, certain development partners have begun implementing Mutual Reliance Frameworks (MRF), under which a single institution assumes lead responsibility for project execution.[15] While these frameworks aim to streamline operations, the Fund's participation remains uncertain given the distinct nature of its financing instruments and the limitations imposed by the principle of cross-conditionality.

76. **A growing source of tension between the Fund and development partners stems from the expanding use of climate-related budget support operations, which increasingly overlap in scope and timing.** MDBs, including the World Bank, ADB, IDB, and AfDB, have scaled up policy-based instruments such as Development Policy Loans (DPLs), Policy-Based Loans (PBLs), and Policy-Based Operations (PBOs) to support climate-related reforms. These instruments typically carry standard sovereign lending terms, variable interest rates (often Secured Overnight Financing Rate (SOFR)-based), maturities of 15–30 years, and grace periods of 3–5 years, though some include concessional enhancements such as performance-linked pricing or guarantees to reduce borrowing costs. While these operations have traditionally supported macroeconomic and structural reforms, they now increasingly embed climate objectives, sometimes in areas that intersect with Fund-supported programs. This convergence raises concerns about potential duplication, crowding-out, inconsistent policy signals, and conditionality fatigue in recipient countries. It underscores the importance of early and close coordination between the Fund and MDBs to ensure complementarity, preserve program coherence, and clarify institutional roles and areas of comparative advantage.

77. **To deepen their collaboration on climate-related issues, the World Bank and the IMF launched the Enhanced Bank-Fund Cooperation Framework for Climate Action in 2024.** The Framework builds on the institutions' complementarities and synergies and sets out a structured approach to jointly identify countries' climate challenges and priority reforms, coordinate TA and financing with development partners (including joint reform matrices and TA

[15] Under mutual reliance frameworks (MRFs), partnering banks rely on a lead institution for appraisal and supervision, so borrowers apply one set of procurement/safeguard rules; momentum rose in the 2010s (e.g., the 2013 EIB–AFD–KfW MRI) and expanded with the 2025 World Bank–ADB Full MRF, the first of its kind. The IMF supports stronger collaboration but is not a party to MRFs given its program (not project) financing role.

tables), and support the establishment of country-led platforms to mobilize climate finance. Leveraging analytical tools, such as the World Bank's CCDRs and the IMF's CMAP, the Framework aims to provide integrated support for climate policy and investment. Initial pilots are underway in Madagascar and Tanzania, with additional pilots under consideration. The assessment of the Framework is outside the scope of this paper, as the pilots remain ongoing.

G. Monitoring of RMs Beyond Program Completion

78. **An important emerging issue is how to engage on climate policies with members after completion of an RSF arrangement, particularly if the RSF cumulative access limit has been reached and no successor arrangement is planned.** The current mechanism to conduct program monitoring at the end of an RSF arrangement is through the Post-Financing Assessment (PFA) and Article IV consultations, as noted in the OGN. The PFA, an important safeguard to preserve the reserve asset nature of channeled SDRs, is triggered when combined credit outstanding exceeds either 200 percent of quota, or the nominal threshold of SDR 0.38 billion (in the case of the RST). In case a PFA is not triggered, then discussions can take place in the context of the Article IV consultation. Monitoring assumes increased importance in the context of the RST's extended repayment periods and the need to preserve the reserve asset status of RST claims. Continued engagement following the completion of an arrangement is also essential to ensure the sustained implementation of climate-related reforms, which are long-term and require follow-up.

79. **Current practice shows that engagement with climate policies following RSF arrangement completion remains limited and lacks analytical depth.** In the case of the PFAs, the focus of the assessment is primarily on members' capacity to repay, with only brief and general references to the implementation of RSF-supported reforms. In the case of Jamaica, the PFA was not conducted, which prompted concerns from a group of Board members, including some contributors to the RST. While these shareholders acknowledged the specific circumstances that informed the decision in this case,[16] they underscored the broader importance of PFAs as a key instrument for monitoring and safeguarding the use of RST resources.

80. **TA providers, from the Fund and other development partners, also viewed RMs as generally well formulated and appropriate but lacking consistent follow up.** It was frequently noted that effective implementation of RMs require sustained follow up. For example, the adoption of climate budget tagging needs to be extended to all stages of a project cycle to materially affect budget resource allocation. Also, the adoption of a green taxonomy for a limited number of sectors will benefit from being expanded to cover additional sectors, rather than, for

[16] Although Jamaica met the trigger for a PFA because outstanding credit to the RST exceeded the relevant threshold, management did not recommend initiating a PFA, assessing it as unwarranted given Jamaica's strong economic fundamentals and policy frameworks and the view that the case posed no material risk to the Fund's balance sheet (with capacity to repay projected to be adequate).

example, only energy and infrastructure. Staff and country authorities noted that the short duration of RSFs often precluded follow up of RM implementation in a program context.

81. **While Article IV consultations potentially provide a more substantive platform for evaluating the depth and continuity of RSF arrangements reform implementation, experience has been mixed.** Notably, the 2025 Costa Rica Article IV includes a dedicated box, modeled on FSAP follow-up practices, that systematically maps progress on each reform measure and its outcomes, offering a more structured and detailed assessment of ongoing climate policy efforts and its operationalization and monitoring. In contrast, the Article IV for Jamaica provides an overview of RSF-related reforms without a granular or systematic assessment of follow-up actions.

82. **Interviews highlighted the absence of clear operational guidance for post-RSF arrangements engagement within the surveillance framework.** It was noted that despite efforts to obtain direction, neither the RSF interim review nor subsequent consultations have provided concrete answers. It was underscored that reduced resources and limited technical capacity after the program is concluded constrain the country team's ability to assess new climate measures, raising concerns about the sustainability of follow-up efforts, especially if team composition changes and institutional knowledge is lost.

H. Sustainability of the RSF

83. **Staff projects that RST resources will likely be enough to meet demand until 2030.** Staff estimate that total commitments would reach around SDR 16.7 billion by end-2028; based on average annual commitment levels of around SDR 2.2 billion in 2026–28, around six new approved arrangements per year, and an average access of 125 percent of quota (capped at SDR 1 billion). The projected pace is below 2022-2025 outcomes, when RSFs approvals averaged about seven per year and average annual commitments averaged SDR 2.7 billion. With pledged usable loan resources of SDR 19.7 billion, the baseline implies that only about SDR 3 billion would remain available after 2028—an amount staff expect would be enough to cover arrangements throughout the loan drawdown period (November 30, 2030).

84. **The adequacy of RST resources, however, will depend on how several factors interact**. Attractive RSF financing terms and the large unmet climate financing needs in most of the eligible members suggest the demand for RSF resources would continue. However, demand may ease as many users have entirely or largely exhausted their access under the RSF since its launch and the requirement of a concurrent UCT arrangement may continue to constrain eligibility. Additionally, several staff interviewees noted that, following the streamlining exercise and amid weaker support for climate-related work in parts of the membership, staff had started to exercise self-restraint when it came to making the RSF available to members. Moreover, repayments of the principal only start in 2032, and no decision has been taken on whether these repayments could be relent, i.e., the RST is not a revolving facility. However, changes to some features of the RSF arrangements (such as revisiting length and access) or the effects of external

shocks in the short and medium term, like higher hydrocarbon fuel prices and widening current account imbalances, could increase demand and deplete available resources more quickly.

85. **There remains some scope to channel additional SDRs.** If contributors to the RST were broadly satisfied with the outcomes of RSF implementation and their motivation to channel SDRs continues, as well as a Board decision to maintain RST financing, then there would be room to channel additional SDRs providing that legal and operational concerns could be addressed. The 21 members that have contributed to the RST received a combined allocation of SDR 197 billion, of which nearly SDR 33 billion or 17 percent of the allocation was channeled to the RST. Maintaining this rate of channeling over the next six years would require an additional 25 percent of the 2021 SDR allocation from these countries. This suggests that, in principle, there is adequate headroom to mobilize further resources, contingent on support and confidence in the RST framework. In addition to the RST, members have channeled part of the 2021 SDR allocation to the PRGT, reducing the remaining headroom for further channeling. In 2021, at least $15 billion of PRGT loan pledges were funded from existing SDRs; by 2024 the PRGT loan mobilization had reached SDR 14.65 billion, with many agreements using existing SDRs (IMF 2024b).

V. Findings and Conclusions

A. Non-RSF Lending

86. **Guidance for climate-related policies in non-RSF lending is missing.** The 2018 RoC, and subsequent OGN on Program Design and Conditionality, did not provide clear operational direction on integrating climate considerations into UCT program design. This gap has contributed to uneven treatment of climate issues across programs, despite progress in surveillance and analytical tools (see Volz and Wojnilower 2026, for an in-depth discussion of models and tools). The ongoing RoC and Program Design provides an opportunity to address this shortcoming by articulating clear principles and practical guidance for incorporating climate-related considerations into UCT program design.

87. **There is a disconnect between short-term and long-term climate goals in IMF-supported programs.** While IMF financing, especially in the context of the RSF, aims to help countries meet their NDCs, some programs implicitly or explicitly promote hydrocarbon extraction. Moreover, the Fund has not committed to making all financing flows consistent with the Paris Declaration, i.e., consistent with a pathway towards low GHG emissions and climate-resilient development. This tension is discussed further in the background paper on The IMF's Role in the Global Architecture for Combatting Climate Change (see Canseco, Gentle, and Pérez Verdía 2026). Clearer guidance is needed to reconcile short-term desire for hydrocarbon revenues for macroeconomic stability with longer-term climate mitigation and resilience building goals, e.g., in conditionality guidelines.

B. RSF Design

88. **There are strong arguments both for and against keeping the link between the RSF and a concurrent UCT arrangement.** On the one hand, this link is intended to ensure a firm macroeconomic focus and to provide fiduciary safeguards to RST contributors. On the other hand, to relax the requirement would allow countries with no desire, or potentially inadequate administrative capacity, to implement a UCT arrangement to access the RSF. Potential intermediate reform options could include offering a lower level of access if there is no concurrent UCT program. Another option would be linking RSF eligibility to a positive assessment in an Article IV consultation indicating no significant macroeconomic policy corrections are needed, and that capacity to repay is adequate, both prior to RSF approval and in subsequent Article IV consultations through its duration. These proposed changes could offer meaningful support to some of the most climate-vulnerable countries, particularly SDS, for whom access to UCT arrangements remains constrained due to diverse circumstances, including limited capacity, political stigma, and adverse signaling of IMF program engagement in the absence of BOP needs. However, any change in the RSF-UCT link could require the approval of all contributors to the RST, which would be time-consuming, whose outcome would not be assured, and could disincentivize some potential contributors.

89. **The next review of the RST will provide an opportunity to explore the long-term sustainability of the RST**. While latest staff's projections estimate lower demand and forecast that RST funding will be enough to cover the pipeline of RSF arrangements throughout 2030, actual demand will depend on a number of factors operating in opposite directions, including the higher value-added of the RSF following proposed enhancements. At the same time, the review could explore options to channel additional SDRs to the RST.

90. **There are gaps in the preparatory, design, and post-program monitoring of an RSF, highlighting the need for a more comprehensive and structured framework to enhance future arrangements.** While learning by doing and updated guidance has helped country teams, there have been gaps and inconsistencies in the experience and execution of the preparatory, design, and post-program monitoring RSF phases. To address this, future RSFs could be anchored in a more robust framework that ensures coherence and continuity across arrangements. A key component of this framework should be the integration of climate diagnostics, preferably conducted in-house, prior to program design. This would not only enhance the relevance and quality of the RMs but also strengthen the basis for follow-up and monitoring. An assessment of implementation capacity and early engagement with key development partners would help ensure that coordination and implementation is effective. Additionally, a dedicated program monitoring process beyond the PFA should be developed and integrated with surveillance, including specific guidance and tools, to enable systematic follow-up beyond expiration, which could have, depending on its design, resource implications.

C. RSF Implementation

91. **Demand for the RSF has been robust.** This is in part due to attractive financing terms and some perceived potential by country authorities to unlock additional climate financing either during or after the RSF. Authorities confirmed that the RSF resources in most cases increased policy space for fiscal spending and reforms associated with climate change-related needs.

92. **The implementation of RMs has been broadly satisfactory, supported by prior identification of RMs and financial incentives.** This is particularly evident in the seven completed RSFs that were not terminated due to issues with the concurrent UCT agreement. In these cases, implementation was strong, with measures either already well advanced at the time of RSF approval or closely aligned with national agendas and TA that allowed for timely execution. In addition, linking RMs to each disbursement provides a strong incentive for timely completion. For RMs to be effective in the long-term, sustained follow-up and refinement is needed.

93. **While the RSF boosts fiscal space, evidence of its early catalytic effect is mixed, especially as regards private finance.** Both staff and authorities broadly agree that the RSF provides additional policy space for climate-related policy reforms. There is also some evidence of the RSF catalyzing official finance, but little substantive evidence for catalyzing private financing so far, in part because many low- and middle-income countries have significant structural barriers to private investment that are not tackled by the RSF, e.g., weak contract enforcement, property rights, judicial systems. Survey evidence and country experiences underscore the role of the RSF in mobilizing both internal and external resources. Furthermore, the RSF has been helpful for signaling countries' commitment to green agendas and the climate roundtables have contributed to coordinating countries' efforts in this regard.

94. **The RSF provides significant value.** It offers a structured framework for climate specific reforms and facilitates the integration of climate-related considerations into macroeconomic policies—elements that would likely be diluted in a UCT context. The RSF offers attractive financing terms and rapid disbursement, while supporting policy momentum as it provides actional guidance and helps advance and accelerate reforms through the Fund's "disciplining" power, fosters stakeholder alignment, generates a signaling effect of the countries' green efforts, and positions the Fund on the map as a credible voice in climate advocacy. While financing through the RSF has been negligible in terms of climate finance needs (see Canseco, Gentle and Pérez Verdía 2026) its contribution should be assessed in terms of its ability to advance policy and its potential catalytic role, rather than by absolute financing volumes. However, the alignment of reform matrices with NDCs and NAPs could be further strengthened to enhance both the signaling and potentially, the catalytic effects.

95. **Engagement and coordination with partners have been broadly positive, though not without challenges.** Partners have contributed to enhancing technical knowledge in the areas covered by RMs and notably guided the Fund in sectoral policies, although challenges

exist. Improvements in collaboration could rest on a bottom-up process of early and clear identification of institutional areas of comparative advantage of the Fund and partners respectively. This would help address concerns around mission creep while allowing for some flexibility at the country level, especially in cases where both the Fund and other development partners are providing climate-related budget support.

96. **The balance between RMs depth and access approved has fallen short of initial expectations.** The depth of reforms is lower than expected, and the average access approved is higher than expected and not consistently evenhanded over time with pilot RSFs more favorably treated than later arrangements. While somewhat low depth conditionality has contributed to strong demand for the RSF, many countries have exhausted or will exhaust RSF financing, before establishing a firm foundation to catalyze additional climate financing due to access above the norm. Greater transparency in assessing reform depth and criticality would enhance the credibility and effectiveness of RSF-supported programs and could strengthen the catalytic impact.

97. **The assessment of RMs criticality, i.e., BOP impact, is mostly missing, although it has recently improved.** There was also a significant gap in RSF design in assessing the criticality of RMs in terms of their impact on prospective BOP stability. Taken together, the limited integration of climate considerations in non-RSF lending and the uneven assessment of RSF reform measures' contributions to prospective BOP stability point to the need to further strengthen the systematic integration of climate-related risks and reforms into the Fund's core macroeconomic frameworks.

98. **RSF engagement is too short.** Climate change policies have a horizon to 2030 and beyond. The average duration of RSF arrangements is slightly above two years and more than half use all access available under the RSF arrangement during this period. The short duration also means RM depth can be compromised as there is insufficient time to prepare more impactful measures that may require three or more years to be designed, implemented, and followed up on. Moreover, there is a tension between increasing the ambition of the reforms and the available capacity to implement them in a short period of time. Longer-term engagement could also enhance the catalytic impact of the RSF. The Fund has already found that longer-term engagement is necessary for countries with protracted BOP problems, e.g., using back-to-back ECF/EFF arrangements for low-income countries.

99. **There are several non-mutually exclusive approaches which could help address the previous two findings by extending the duration of RSF engagement and strengthening the depth and assessment of criticality of RMs**: (i) a partial delinking such that the RSF can continue for a longer period than the concurrent UCT arrangement; (ii) increase the RSF cumulative access limit in percent of quota with a second round of RSF funding; (iii) introduce an annual access limit of around 50 percent of quota (currently the annual access limit is effectively 100 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. This "hard norm" could also be warranted as it is difficult to assess the link between reform strength and prospective BOP stability, leading to some arbitrariness and considerable variance in access determination (a similar approach envisaging less discretion in access through binary access points at 75 percent or 150 percent of quota, was suggested by staff and rejected by management in the context of the elaboration of RSF guidance note in 2023); (iv) excluding all low depth measures from RSF arrangements by allowing more time for preparatory steps together with implementation requirements would help prevent the padding of RSF arrangements with low impact measures; and (v) program requests should include a clear assessment of the prospective BOP impact of the RMs.

100. **Focusing RMs more narrowly on the Fund's traditional core areas would increase efficiency, save resources, and potentially strengthen evenhandedness.** Rebalancing away from sectoral measures outside Fund core competencies would be more amenable to efficient monitoring with traditional MoF and Central Bank counterparts instead of line ministries, require less unremunerated support from external partners, and reduce the risk of inefficient institutional drift. Such a rebalancing would also promote close and effective integration of RSF arrangements with TA and training as a "climate add-on" to existing CD provision. Many sectoral measures in both adaptation and mitigation are outside Fund core competencies and require development partner support for both formulation and monitoring which poses risks, as it may not always be timely or may be withdrawn. Staff also noted that sectoral measures in some countries were discouraged in the review process, although in other countries these concerns were not raised. A potential way to rebalance to enhance implementation and monitoring without too much external reliance would be to prioritize as far as possible PFM (budget tagging, investment appraisal, risk assessment) financial sector measures (green taxonomy, climate risks assessment and disclosure), and tax policy measures, while limiting sectoral measures to those the Fund has some in-house expertise (e.g. fuel subsidies, and measures that have evidently high depth and criticality) while avoiding those outside the Fund's competencies—e.g., agriculture, forestry, climate-resilient infrastructure. Nonetheless, even if the focus of RMs is narrowed, RSF arrangements would still entail meaningful reforms that reduce risks to prospective BOP stability.

ANNEX I. FINDINGS OF THE 2024 RST INTERIM REVIEW—THE EXPERIENCE SO FAR

The review (IMF, 2024a) considered the implementation experience across five main topics:

(a) **Demand.** Demand was assessed as "strong" with 18 arrangements approved in 17 months spanning a diverse group of countries and 30–35 additional arrangements expected in the "near term."

(b) **Reform measures.** The reform measures (RMs) targeted a mix of areas, nearly one half were cross-cutting measures, and one quarter each for mitigation and adaptation measures respectively. The review stopped short of assessing the strength of measures noting that reform criticality has been "varied", the share of high-depth measures has been "rising", and that "some reforms were ambitious," but also constrained by the length of arrangement.

(c) **Collaboration with development partners (DPs).** The review acknowledged that DP collaboration played a critical role with the World Bank and IADB being key partners and that collaboration should "continue to be strengthened."

(d) **Catalytic role.** The review stopped short of any quantitative assessment of financing catalyzed while noting that "a large majority of surveyed country authorities and mission chiefs agreed having an RSF arrangement in place helps attract additional public and private financing."

(e) **Time and resources.** The review found that designing RMs is resource-intensive without providing any cost data and noted that time and resource constraints limit the number of RSF arrangements that can be developed simultaneously.

ANNEX II. THEORY OF CHANGE

Based on the Fund's legal and institutional framework for lending, the following Theory of Change (ToC) outlines how Upper Credit Tranche (UCT) lending and Resilience and Sustainability Facility (RSF) are expected to function in principle (Figure AII.1). The ToC aims to identify: (i) a chain of events and causal links between inputs and their final outcomes; and (ii) the enabling conditions that support success at each stage. The ToC recognizes that both country authorities and the IMF are agents in the lending process. Country authorities are responsible for requesting support, designing and implementing conditionality and reform measures (RMs), and ensuring program ownership. The Fund, through its Board, management, and staff, provides financial resources, policy advice, and program monitoring. While the ToC is broadly similar for both UCT/RSF and UCT alone, this paper focuses predominantly on RSF, given that climate-related considerations in other programs are largely limited to energy subsidies. Consequently, the ToC primarily addresses the RSF component.

The effectiveness of RSF-supported programs depends on several foundational inputs and conditions. At the country level, these include a formal request for RSF support, political will, and institutional capacity to implement reforms, including the ability to absorb capacity development. On the Fund's side, key inputs include the availability of financial resources in the RST general and technical expertise, internal governance and organizational structures, and access to analytical tools and data. Effective cooperation with other development partners is also essential. RSF eligibility is limited to low- and middle-income IMF members with incomes below specific thresholds. Qualification for an RSF rests on formulating a package of high-quality measures that will enhance resilience and sustainability, a concurrent UCT arrangement, sustainable debt and an adequate capacity to repay.

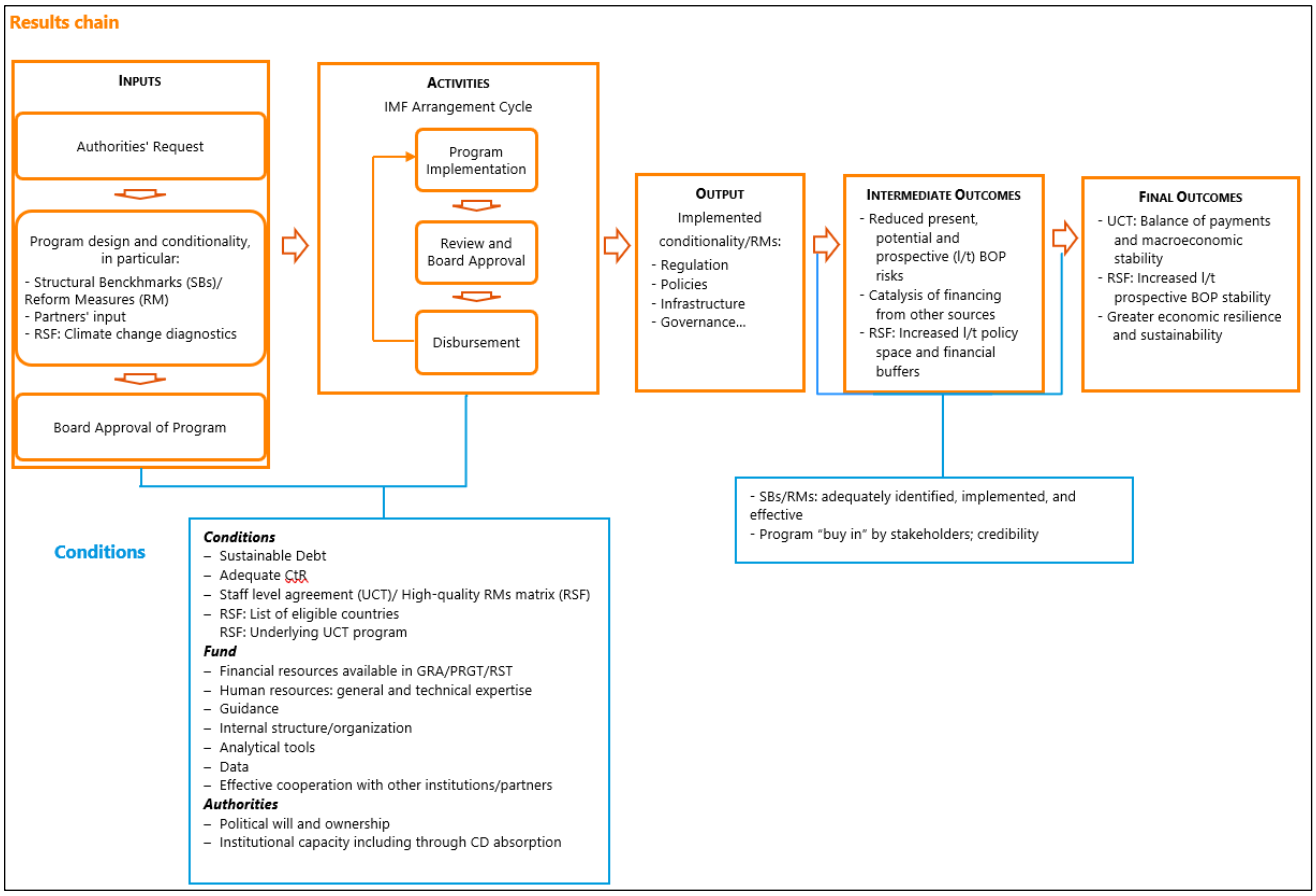
RSF activities follow the IMF's standard arrangement cycle. This begins with the design of the program, including the identification of climate-related RMs, followed by Board approval. Once approved, the program enters the implementation phase, during which RMs are executed and monitored. Disbursements are made in tranches, contingent on satisfactory progress of specific RMs and periodic reviews, which are also subject to Board approval.

The immediate outputs of RSF arrangements are the implementation of climate-related RMs. These may include new or revised regulations, policies, infrastructure investments, or governance reforms. The credibility of the program and stakeholder buy-in are critical to ensuring that these measures are adequately identified, implemented, and effective.

Over the medium term, RSF arrangements are expected to yield several intermediate outcomes. These include a reduction in long-term prospective balance of payments (BOP) risks, increased policy space and financial buffers, and the catalyzation of additional financing from other sources. These outcomes reflect the RSF's role in supporting macro-critical reforms that address climate vulnerabilities and enhance longer-term resilience.

Ultimately, RSF-supported programs aim to contribute to the Fund's broader purposes by promoting long-term BOP stability and fostering greater economic resilience and sustainability. By supporting climate-related structural reforms, the RSF helps member countries strengthen their macroeconomic frameworks and better manage their mitigation, adaptation and transition needs as well as becoming climate-resilient economies.

Figure AII.1. IMF Climate-related Lending—Theory of Change



Source: IEO.

ANNEX III. EVOLUTION OF CLIMATE LENDING

For decades the Fund played a niche role in providing modest amounts of financing for some countries experiencing natural disasters. Specifically, the Fund provided temporary or one-off financing for balance of payments (BOP) needs arising from disasters including droughts, floods, and storms that have become more frequent with climate change. The practice was initiated in 1962 with emergency assistance to Egypt following floods and pest infestation (Boughton 2001). Emergency Natural Disaster Assistance (ENDA) financing was provided in a one-off disbursement without an underlying Fund arrangement, i.e., without detailed conditionality attached. Access up to 25 percent of quota was available or exceptionally 50 percent of quota, while if BOP needs were large the expectation was for a follow-on Fund arrangement to be negotiated. ENDA was provided with subsidized interest rates for PRGT-eligible members. However, underlining the Fund's niche role in disaster financing, ENDA usage was infrequent, about one country per year (seven drawings 2000–09) (IMF 2009). Many countries experiencing natural disasters did not seek Fund assistance because the financing available was modest and/or sought other financing channels: a 2016 IMF policy paper reported that the Fund provided financing to 16 out of 53 natural disasters in small states during 2000–15 (IMF 2016).

For situations where some policy adjustment was required over a longer period of time, including as a result of natural disasters, support was available under the Exogenous Shocks Facility (ESF). The ESF is a distinct financing window in the PRGT created in 2005. However, initially the ESF was not used, and in 2008 two windows were created including the ESF Rapid Access Component (ESF-RAC) that could be used for temporary exogenous shocks including natural disasters with access up to 25 percent of quota (IMF 2008).

The 2009 reform of concessional facilities—occasioned in the wake of the global financial crisis to strengthen the safety net for low-income countries—created the Rapid Credit Facility (RCF). The ENDA and the ESF-RAC were folded into the newly created RCF enabling support for urgent BOP needs including from natural disasters (IMF 2009) with access capped at 25 percent of quota per year or 50 percent of quota for the rapid access component. In 2011, the Rapid Financing Instrument (RFI) was created by eliminating the non-concessional ENDA and ESF-RAC, mirroring the RCF for non-PRGT-eligible countries.

In 2010, the Fund created a Post-Catastrophe Debt Relief Trust to provide debt relief on repayments to the IMF in low-income countries experiencing catastrophic disasters (now renamed Catastrophe Containment and Relief Trust—CCRT). Relief on IMF repayments was available to countries experiencing natural disasters that exceeded physical damage thresholds and share of the population affected (IMF 2010). This was used once in the aftermath of a catastrophic earthquake in Haiti, but in principle could also be used for climate-related disasters. However, the damage thresholds are very high and not well aligned with long-term climate damages—qualification requires that more than a third of the country's population is affected,

and more than a quarter of productive capacity is destroyed or damages exceed 100 percent of GDP—suggesting that the CCRT would be of limited use for long-term climate change damage. Moreover, the CCRT is underfunded (IMF 2025) and cannot benefit members that have no outstanding Fund credit, e.g., many climate vulnerable small developing states.

All these facilities provided modest financing to address the short-term, urgent BOP effects of natural disasters without any policy requirements to build resilience to future climatic shocks. Financing on-lent to the state budget was also not earmarked to any particular expenditure (as is the case for almost all Fund assistance), making it impossible to assess whether the policy space provided was utilized for adaptation to climate change or other climate-related policies. [internal efforts by the small states working group to create a resilience building facility went nowhere in large part due to a lack of funding and lack of clarity over the Fund's role in climate finance—expand discussion through additional staff interviews].

In the run-up to the COP 2015, the Board discussed the potential role for the Fund related to climate change. The Managing Director's Statement on the Role of the Fund in Addressing Global Climate Change (IMF 2015) outlined the ways in which the Fund could contribute to the climate change debate while recognizing that it was not an environmental institution. The MD's statement highlighted the role of fiscal instruments for climate policy and the role of the Fund in integrating natural disaster risks in macroeconomic forecasts as well as the macroeconomic implications of adaptation policies where macro-critical. The document did not explicitly discuss or give prominence to the role of fund lending related to climate change.

Following the Paris Agreement in 2015 more attention was given inside and outside the Fund to climate financing. An IMF small states policy paper in 2016 highlighted the need for policy analysis of climate risks and discussed the role of the IMF in meeting financing needs (IMF 2016). It noted that disaster financing is often identified "after the event" and is inadequate in small states given the severity of natural disasters. It also noted that climate finance is oriented to mitigating GHG emissions rather than to financing adaptation to climate change needed in small states.

The 2016 small states policy paper made several recommendations that led to subsequent changes in the IMF lending toolkit and helped pave the way to the RST and RSF:

- Proposed increasing RCF and RFI annual access limits to 60 percent of quota where disaster damages exceeded 30 percent of GDP to fill a gap in the financial safety net.
- Encouraged members to consider more active use of Fund arrangements, including on a precautionary basis, as a vehicle for resilience-building policy reforms and associated capacity building support.
- Consideration could be given to tailored assessments of policies in these areas to help countries develop strong climate change policy frameworks.

In 2016, the Board also approved a series of pilot Climate Change Policy Assessments (CCPAs) for small states conducted jointly with the World Bank. Although the CCPA was technical assistance (TA) in nature, it helped create a policy focus of how to tackle climate change in areas of Fund competence. From 2017 to 2020, six pilots were conducted (Belize, Grenada, Micronesia, Seychelles, St. Lucia, and Tonga). CCPAs covered seven areas: climate risks, national strategy, mitigation, risk management, adaptation, national planning, and macro-economic implications of climate change. The CCPA evolved into the Climate Macroeconomic Assessment Program (CMAP) which was led by the Fund and expanded to cover larger countries in the context of increased demands for CD related to the RST (IMF 2023d) (see Chopra and Wojnilower (2026) for further discussion).

A 2017 policy paper worked further on increasing access limits under the RCF and RFI. The Board endorsed a proposal to increase the annual limits from 37.5 percent to 60 percent of quota for a large natural disasters window where natural disasters had costs of at least 20 percent of GDP. Cumulative RCF and RFI limits remained at 75 percent of quota.

Climate-related conditionality and in-depth climate policy advice were largely absent from other Fund lending during this period, with the notable exception of fuel taxes and subsidies. In 2022, an IEO evaluation of Small Developing States concluded that no small developing state had requested a UCT program to address recovery from, or resilience building for natural disasters or climate change (IEO 2022). A review of the IMF's program monitoring database shows climate-related macroeconomic policies were only included as conditionality in about a dozen arrangements. However, the elimination of fuel subsidies and raising fuel taxes has been a staple of IMF lending conditionality for the past two decades, initially for multiple reasons including climate change, i.e. they are costly, promote inefficient allocation of an economy's resources, encourage pollution contributing to climate change and premature deaths from local air pollution, and are not well targeted at the poor.

ANNEX IV. CLIMATE CONDITIONALITY IN NON-RSF FUND-SUPPORTED ARRANGEMENTS

Climate-specific conditionality in IMF lending has been limited. According to the IEO's analysis of MONA, only 14 non-RSF arrangements have included conditionality with climate-related aspects, with the majority occurring since 2021. This recent trend reflects growing recognition that climate risks pose significant macroeconomic and fiscal challenges that warrant attention in Fund-supported programs. The conditionality covers the following broad areas:

Climate Risk Assessment

IMF programs in countries like Benin, Georgia, and Zambia have pioneered conditionality requiring the inclusion of climate risks in fiscal risk assessments. Georgia's 2022 program exemplifies this approach by mandating quantification of fiscal risks from climate change in annual fiscal risk statements and requiring climate-related financial sector risk assessments. These conditionalities help governments build capacity to anticipate and prepare for climate-related fiscal pressures.

Climate Fiscal Framework and Budgeting

Some reforms help embed climate considerations into fiscal planning and budgeting processes. For example, Burkina Faso's 2023 program includes requirements to implement climate budget tagging methodology, representing a significant step toward transparency and accountability in climate finance. Egypt's 2022 program incorporates climate mandates into public financial management (PFM) law reforms, ensuring climate considerations are embedded in medium-term budget frameworks.

Climate Resilience and Investment Planning

Fund programs are strengthening institutional capacity to strengthen infrastructure and systems' resilience to climate impacts. Seychelles' 2023 program requires integration of climate risk considerations into public-private partnership frameworks, while Malawi's 2023 program mandates development of comprehensive disaster risk management regulations to address institutional gaps.

Several Fund programs have contributed to embed climate considerations into public investment frameworks. DRC's 2022 program requires project selection criteria that integrate climate dimensions (in line with C-PIMA recommendations), while Tanzania's program mandates climate change impact assessments for all public investment projects before budget inclusion. Costa Rica's 2021 EFF program takes a comprehensive approach by requiring the development of roadmaps for climate-resilient infrastructure, complete with cost assessments and financing strategies.

	Country	Year	Description	Type
1.	Madagascar	2006	No granting of ad-hoc tax or tariff exemptions or suspensions outside those specified in the Customs Code and international treaties or conventions. and in exceptional cases decided by the Council of government (**natural disasters**, public good, reasons of state).	PC
2.	Costa Rica	2021	Authorities to develop a roadmap to enhance infrastructure resilience to climate change, including cost assessment and financing options.	SB
3.	Suriname	2021	Publish a public investment management manual with general guidelines for the economic appraisal of investment projects including **climate change** and flood risk management considerations, and sectoral guidelines for key ministries.	SB
4.	Benin	2022	Prepare a statement containing a quantitative analysis of fiscal risks in all key areas, including macroeconomic risks, public enterprises, debt management, contingent liabilities, **natural disasters**, pension and social securities, as part of the 2024 draft budget law documentation.	SB
5.	Democratic Republic of the Congo	2022	Define and publish a list of project selection criteria (in line with **C-PIMA** recommendations), integrating the **climate dimension**. Formalize a standard methodology for the preliminary assessment of projects, considering **climate aspects**, including risk analysis.	SB
6.	Egypt	2022	Enact executive regulation of the PFM law, including: (i) main elements of the budget calendar starting with the submission and approval of the fiscal strategy paper, (ii) the process to update and publish the MTBF taking into account the costing of new laws and regulations, (iii) a requirement for all entities to separate the baseline and new policy initiatives, and (iv) a section on climate that would provide a mandate for **climate-related** activities.	SB
7.	Georgia	2022	Publish an assessment of **climate-related** financial sector risks. Include in the 2022 Fiscal Risk Statement a quantification of fiscal risks from **climate change** and legal claims, and a long-term sustainability assessment for health and aging-related spending	SB
8.	Nepal	2022	Cabinet approves an action plan to improve the efficiency of public investment spending and strengthen **climate resilience**, drawing on recommendations of a Public Investment Management Assessment (PIMA). National Planning Commission approves an action plan to improve the efficiency of public investment spending and strengthen **climate resilience**, drawing on recommendations of a Public Investment Management Assessment (PIMA).	SB
9.	Tanzania	2022	Submit to Parliament a draft amendment to the Planning Commission Act 2023 that explicitly requires appraisal of public investment projects, including **climate change** impact assessments, before they are included in the budget.	SB
10.	Zambia	2022	Expand the scope of Fiscal Risk Report (FRR) to include key risks stemming from SOEs, local authorities, public pensions schemes, PPPs and other obligations as well as the potential consequences of **climate change**. Establish standard methodologies and assumptions applied to quantifying risks. Assess risks in a forward-looking manner.	SB
11.	Burkina Faso	2023	Submit the draft budget for the next fiscal year in line with program objectives, including a budget document or annex detailing plans to combat **climate change** and **climate-related budget** appropriations based on an agreed climate budget tagging methodology.	SB
12.	Malawi	2023	Submit to Parliament the **Disaster Risk Management** (DRM) regulations and related policies to address gaps in **disaster risk management.**	SB
13.	Seychelles	2023	Cabinet adoption of a roadmap and timeline of actions necessary to improve the efficiency of public investment, including for **climate-related** investment, based on the January 2023 PIMA. The Ministry of Finance, National Planning and Trade (MoFNPT) develops and adopts a Public-Private Partnership (PPP) framework and explicitly include **climate-related risks**, while integrating this in the Public Financial Management Act and the Public Procurement Act.	SB
14.	Serbia	2018, 2021	Prepare methodologies to: (i) monitor fiscal risks from SOEs and **natural disasters**, and (ii) manage fiscal risks associated with state-guarantee scheme designed in response to the COVID-19 crisis. Adopt a methodology to monitor fiscal risks, covering fiscal risks stemming from (i) SOEs; (ii) local governments; (iii) litigation; and (iv) **natural disasters**; and adopt the by-laws required for an effective implementation of the new methodology and frameworks.	SB

Source: MONA

ANNEX V. EVIDENCE OF CATALYTIC IMPACT OF THE RESILIENCE AND SUSTAINABILITY FACILITY[1]

Positive Impact

- In Rwanda, both staff and authorities agreed that the Resilience and Sustainability Facility (RSF) played a strong catalytic role. Following a visit by the Managing Director and a climate roundtable chaired by DMD Li, additional financing of around $400 million was announced by the European Investment Bank (EIB) and the French Development Agency (AfD), with the latter explicitly linked to RM implementation. The RSF also helped to capitalize the financing agency IREME Invest which promotes green PPPs and plans to deploy approximately $367 million over seven years.

- In Barbados, a number of factors supported a catalytic role for the RSF, including $10 million capital for a new blue-green bank which came "from the fiscal space created by the RSF,"[2] and other positive spillovers reported included a $300 million debt-for-climate swap and a reported scaling up of IDB financing.

- In Kosovo, country authorities believed that the RSF had helped catalyze additional financing from the EU.

- The RSF supported Jamaica's drive to institutionalize disaster resilience financing. The government established a National Natural Disaster Reserve Fund (legislated mid-2024) to set aside resources for climate shocks. Jamaica also integrated climate risk into budgeting and investment frameworks, and development partners are now co-financing disaster risk initiatives—evidence that the RSF catalyzed both policy action and partner support.

- In Madagascar a high-level roundtable in October 2024 co-chaired by the IMF and World Bank yielded concrete partner commitments—the GEF pledged around $50 million in grants, and work is underway on a "Lemur Bond" and other innovative instruments.

- Country officials and IMF TA center staff also indicated that the RSF could catalyze additional TA especially in areas where the Fund did not have a comparative advantage: to help with the design and implementation of RMs and to provide support for subsequent reform deepening.

Ambiguous Impact

- In Senegal, a €2.5 billion agreement of grants and loans from the Just Energy Transition Partnership was signed shortly after RSF approval which built on some RSF measures, although interlocutors believed it would nonetheless have gone ahead absent RSF approval.

---

[1] Draws on staff reports, IMF press releases, interviews with staff, development partners and country authorities.

[2] See IMF Press Release.

- In some cases, it was noted that separating the catalytic effect of the RSF from the underlying UCT arrangement is difficult. Costa Rica received a rating upgrade in September 2024 with the rating agency noting much improved fiscal performance under the EFF/RSF as a rationale for the upgrade.

- In Morocco, while direct new funding is not clearly attributed to the RSF, authorities report that the RSF "helped with visibility" of Morocco's climate efforts among donors.

- In many other cases, interviewees observed that the RSF had no obvious catalytic financing effect, or that it was too early to tell. For example, in Kenya the authorities welcomed the effort made to hold a climate financing roundtable but reported that there was no tangible result from this one-off engagement. In other cases, the financing roundtable was reported to be mainly a public relations exercise.

Negative Impact

- Several staff of a regional development bank noted that IMF financing was several multiples of their annual budget support in several countries and that the authorities had prioritized engagement with the Fund which led to cancellation of a planned budget support loan in Costa Rica. From the authorities' viewpoint the Fund was able to provide financing more quickly than IFIs and RDBs.

  Some World Bank staff felt that the RSF limited the number of feasible climate reforms in subsequent Development Policy Financing loans as they had already been included as RMs in the RSF and cross-conditionality prevented duplicating these reforms. As there were requirements for climate co-benefits in all World Bank financing, a shortage of climate reforms could constrain the scope of non-climate reforms.

REFERENCES

Aligishiev, Zamid, Matthieu Bellon, and Emanuele Massetti. 2022. "Macro-Fiscal Implications of Adaptation to Climate Change." Staff Climate Notes 2022/002. International Monetary Fund.

Andrews, David, Mark Plant, and John Hicklin. 2022. "The IMF's RST Has Met Contributors' Wishes—Now It Must Meet Borrowers' Needs!" Center For Global Development.

Bellon, Matthieu, and Emanuele Massetti. 2022a. "Economic Principles for Integrating Adaptation to Climate Change into Fiscal Policy." IMF Staff Climate Notes 2022/001. International Monetary Fund.

Bellon, Matthieu, and Emanuele Massetti. 2022b. "Planning and Mainstreaming Adaptation to Climate Change in Fiscal Policy." Staff Climate Notes 2022/003. International Monetary Fund.

Black, S., Antung A. Liu, and Ian W.H. Parry. 2023. "IMF Fossil Fuel Subsidies Data: 2023 Update." IMF Working Paper 2023/169, International Monetary Fund.

Boughton, James. 2001. *Silent Revolution: The International Monetary Fund 1979-19*. International Monetary Fund.

Bridgetown Initiative. 2022. "Bridgetown Initiative on the Reform of the International Development and Climate Finance Architecture." Statement by H.E. Mia Amor Mottley, Prime Minister of Barbados.

Canseco, Gonzalo, Kelsie Gentle, and Carlos Pérez Verdía. 2026. "The IMF's Role in the Global Architecture for Combatting Climate Change." IEO Background Paper BP/26-01/05. International Monetary Fund.

Chopra, Ajai, and Joshua Wojnilower. 2026. "Climate Change in IMF Capacity Development." IEO Background Paper BP/26-01/03. International Monetary Fund.

Citrin, Daniel and Carmen Rollins. 2026. "The IMF's Climate Change Work: Institutional Issues." IEO Background Paper BP/26-01/04. International Monetary Fund.

Diallo, Yoro, Patricia Escalante, Linda Kaltani, Tumer Kapan, Friederike Langowski, and Dan Nyberg. 2026. "The Catalytic Impact of Resilience and Sustainability Facility Arrangements." IMF Working Paper 26/38, International Monetary Fund.

Dimond, Victoria, and Sanjeev Gupta. 2024. "Assessing the Impact of New IMF Guidance on Resilience and Sustainability Facility Programs." CGD Note 362. Center for Global Development.

Gallagher, Kevin P., Cyrus Rustomjee, and Andrea Arevalo. 2024. "Evolution of IMF Engagement on Climate Change." IEO Background Paper BP/24-01/06. International Monetary Fund.

Gupta, Sanjeev, and Hannah Brown. 2023. "The Resilience and Sustainability Facility's Recent Programs Still Fall Short of Its Ambitious Goals." Center for Global Development.

Independent Evaluation Office of the International Monetary Fund (IEO). 2022. *IMF Engagement with Small Developing States.* International Monetary Fund.

International Monetary Fund (IMF). 2008. "Proposed Reforms to the Exogenous Shocks Facility (ESF)." IMF Policy Paper, July.

International Monetary Fund (IMF). 2009. "A New Architecture of Facilities for Low-Income Countries." IMF Policy Paper, June.

International Monetary Fund (IMF). 2010. "The Fund's Mandate—The Legal Framework." IMF Policy Paper, February. International Monetary Fund (IMF). 2015. "The Managing Director's Statement on the Role of the Fund in Addressing Climate Change." November.

International Monetary Fund (IMF). 2015. "The Managing Director's Statement on the Role of the Fund in Addressing Climate Change." IMF Policy Paper No. 15/075, November.

International Monetary Fund (IMF). 2016. "Small States' Resilience to Natural Disasters and Climate Change - Role for the IMF." IMF Policy Paper.

International Monetary Fund (IMF). 2017. "Large Natural Disasters—Enhancing the Financial Safety Net for Developing Countries." IMF Policy Paper, May.

International Monetary Fund (IMF). 2019. "2018 Review of Program Design and Conditionality." IMF Policy Paper 2019/012.IMF Policy Paper, May.

International Monetary Fund (IMF). 2021a. "IMF Strategy to Help Members Address Climate Change Related Policy Challenges—Priorities, Modes of Delivery, and Budget Implications." IMF Policy Paper, July.

International Monetary Fund (IMF). 2021b. "The Chair's Summing Up—IMF Strategy to Help Members Address Climate Change Related Policy Challenges—Priorities, Modes of Delivery, and Budget Implications." SU/21/108, July 21 (internal).

International Monetary Fund (IMF). 2021c. "Options for SDR Channeling." Staff Presentation for the Informal Board Meeting, July 23 (internal).

International Monetary Fund (IMF). 2022a. "Argentina: Staff Report for 2022 Article IV Consultation and Request for an Extended Arrangement under the Extended Fund Facility." IMF Country Report 22/92, March.

International Monetary Fund (IMF). 2022b. "Proposal to Establish a Resilience and Sustainability Trust." IMF Policy Paper 2022/013, April.

International Monetary Fund (IMF). 2022c. "Uganda: 2021 Article IV Consultation and First Review under the Extended Credit Facility Arrangement and Requests for Modifications of Performance Criteria—Press Release; Staff Report; and Statement by the Executive Director for Uganda." IMF Country Report 22/77, March.

International Monetary Fund (IMF). 2023a. "Argentina: Fifth and Sixth Reviews Under the Extended Arrangement Under the Extended Fund Facility, Request for Rephasing of Access, Waivers of Nonobservance of Performance Criteria, Modification of Performance Criteria and Financing Assurances Review." IMF Country Report, August.

International Monetary Fund (IMF). 2023b. "Argentina: Fourth Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Modification of Performance Criteria, Waiver for Nonobservance of Performance Criteria, and Financing Assurances Review." IMF Country Report, April.

International Monetary Fund (IMF). 2023c. "Resilience and Sustainability Facility—Operational Guidance Note." IMF Policy Paper 2023/051, November.

International Monetary Fund (IMF). 2023d. "Review of the Climate Macroeconomic Assessment Program Pilots." IMF Policy Paper 2023/025, June.

International Monetary Fund (IMF). 2024a. "Interim Review of The Resilience and Sustainability Trust and Review of Adequacy of Resources." IMF Policy Paper 2024/031, June.

International Monetary Fund (IMF). 2024b. "Poverty Reduction and Growth Trust: 2024 Borrowing Agreements with Belgium, Denmark, France, Japan, Korea, And Qatar." IMF Policy Paper 2024/028, May.

International Monetary Fund (IMF). 2024c. "The President of the IDB and the Managing Director of the IMF Outline Enhanced Partnership to Better Support Latin American and Caribbean Countries." Press Release 24/283.

International Monetary Fund (IMF). 2025a. "Resilience and Sustainability Facility—Updated Operational Guidance Note." IMF Policy Paper 2025/004, March.

International Monetary Fund (IMF). 2025b. "Morocco: 2025 Article IV Consultation and Third Review Under the Arrangement Under the Resilience and Sustainability Facility." IMF Staff Country Report No. 2025/087, April.

International Monetary Fund (IMF). 2026a. *IMF Lending at a Glance*. IMF Finances database. Available at https://www.imf.org/en/Data/imf-finances (accessed April 30, 2026).

International Monetary Fund (IMF). 2026b. "2026 Update of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts." IMF Policy Paper 2026/004, March.

Kentikelenis, Alexandros, and Thomas Stubbs. 2024a. "Greening IMF Lending: Elusive Prospects, Mixed Evidence." Recourse.

Kentikelenis, Alexandros, and Thomas Stubbs. 2024b. "Off Track: The Long Road to Mainstreaming Climate Action into IMF Lending." Recourse.

Lombardi, Domenico, and Cyrus Rustomjee. 2022. "The IMF's Engagement on Natural Disasters and Climate Change Issues Affecting Small Developing States." IEO Background Paper BP/22-01/05. International Monetary Fund.

Rambarran, Jwala. 2024. "Making Sense of the IMF's Interim Review of the Resilience and Sustainability Trust." Boston University Global Development Policy Center.

Skovgaard, Jakob. 2021. "The Economisation of Climate Change: How the G20, the OECD and the IMF Address Fossil Fuel Subsidies and Climate Finance." Cambridge University Press.

Task Force on Climate, Development and the International Monetary Fund. 2024. "IMF 2030: A Transformative Action Plan to Achieve Climate and Development Goals." Boston University Global Development Policy Center.

Vulnerable Twenty Group. 2023. "Accra-Marrakech Agenda." Available at Accra Marrakech Agenda (October 2023) - CVFV20.Org.

Volz, Ulrich, and Joshua Wojnilower. 2026. "Climate Change in IMF Surveillance." IEO Background Paper BP/26-01/01. International Monetary Fund.

Wainer, Andrew. 2023. "The Resilience and Sustainability Trust: Early Learning and Challenges from Costa Rica and Rwanda." CGD Policy Paper 301. Center for Global Development.