




## Chapter Eight

# The IMF's Resilience and Sustainability Facility as a framework for promoting market-based solutions to decarbonization

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### Abstract

This chapter explores the evolving role of the International Monetary Fund (IMF) in addressing climate change through the Resilience and Sustainability Facility (RSF), a new long-term financing instrument aimed at supporting low- and middle-income countries. It examines how the RSF reflects a shift in the IMF's mandate, traditionally focused on macroeconomic and financial stability, toward integrating environmental sustainability. Through an analysis of the 259 reform measures (RMs) in the 22 RSF agreements approved between October 2022 and February 2024, the chapter identifies three key findings. They are (1) the centrality of fiscal and energy-related reforms, which are coherent with the RSF's decarbonization goals; (2) the relative heterogeneity in content and orientation across countries, suggesting that borrowing governments play a role in shaping the agenda; and (3) the prominence of financial RMs focused on developing taxonomies, and risk management frameworks to foster green market governance and mobilize private capital. The chapter argues that this green policy turn, while promising, is limited by structural asymmetries



in the global financial architecture. It concludes with policy recommendations to enhance the RSF's impact, including increasing available financing, strengthening partnerships with regional development banks, and improving the adaptability of conditionality frameworks. These reforms are essential to ensure that the IMF's climate engagement supports just, inclusive, and context-sensitive transitions in the Global South.

**Keywords:** IMF, RST/RSF, Sustainable Financing, decarbonization, reform measures.

## 1. Introduction

Climate change constitutes a global threat to economic, social, and environmental well-being. Addressing its challenges and consequences will require profound transformations over the coming decades—of the economy in general, and of the energy matrix in particular—toward the so-called “Net Zero Carbon Emissions” (NZE) scenario. Most countries have already set greenhouse gas (GHG) reduction targets consistent with the Paris Agreement, within the overall framework of the United Nations Framework Convention on Climate Change (UNFCCC).

At the G20 Summit held in Rio de Janeiro, Brazil, on 18–19 November 2024, Heads of State and Government underscored the importance of mobilizing both public and private finance to advance the Sustainable Development Goals (SDGs) and meet the emissions targets set under the Paris Agreement (COP21). According to Marois et al. (2024), the SDG investment gap in Global South countries is projected to reach USD 4 trillion annually, within a global investment need of around USD 30 trillion over the next eight years. While private financing has expanded, it remains insufficient in both scale and scope. Concentrated in profitable and relatively low-risk sectors such as energy and transport, it has provided limited support for less developed regions or for adaptation measures.

Since the Paris Agreement, International Financial Institutions (IFIs) have increasingly promoted environmental, social, and governance (ESG) objectives through their financing activities. Yet these efforts remain insufficient to meet the climate finance needs of the Global South. At the same time,

IFIs have sought to catalyze private capital flows toward climate goals, with similarly limited results. In this context, the constrained capacity of IFIs to respond to growing borrower demands has been further tested by the scale and urgency of climate-related financing challenges.

Multilateral development banks (MDBs) have adjusted their financing to support a variety of projects, particularly mitigation efforts related to the energy transition and transportation sectors, as well as adaptation measures involving water and land use. The case of the IMF is somewhat different. IMF financing is typically disbursed within conditional lending programs and is freely available for balance-of-payments support, with the primary aim of strengthening international reserves in the face of external imbalances. However, the growing importance of climate change on the IMF's agenda prompted the creation, in 2022, of a dedicated financing window: the Resilience and Sustainability Facility (RSF). The RSF was designed to address climate-related challenges, including energy transition, and other structural vulnerabilities such as pandemics. In doing so, the IMF launched a facility with explicit environmental objectives that extend beyond its traditional areas of expertise.

The establishment of the RSF reflects the impetus provided by the G20. First, the RSF emerged from a sequence of policy decisions in which the G20 played a coordinating role during and after the pandemic: the general allocation of Special Drawing Rights (SDRs) equivalent to US\$650 billion in August 2021, together with the push for their voluntary rechanneling to vulnerable countries, provided the financial-political scaffolding upon which the IMF created the Resilience and Sustainability Trust (RST) in 2022 and operationalized the RSF as its long-term lending window. Second, successive G20 presidencies (Indonesia 2022, India 2023, Brazil 2024, and South Africa 2025) have placed climate finance, just transition, and reform of the international financial architecture at the centre of their agendas. Institutionally, the RST/RSF translates the G20 leaders' strategic orientation—expanding resources and instruments

for resilience and sustainability in developing economies—into concrete financing mechanisms.

The guidelines and orientations of RSF programs agreed with countries of the South provide valuable insight into how the IMF translates its environmental framework into specific policy recommendations. This chapter examines how the IMF has incorporated environmental concerns into its policy agenda. It does so by analyzing the conditionalities—formally referred to as reform measures—contained in the 22 RSF agreements signed and published as of April 2025. Building on recent contributions (Gupta, 2024; Task Force on Climate, 2024; Miller et al., 2023), the study classifies these conditionalities by structural depth, policy area, and policy objective in order to characterize the nature of the Fund’s intervention.

The chapter is structured as follows. The first section reviews the incorporation of environmental issues into the IMF’s agenda and the institutional responses to this challenge. The second outlines the development of RSF credits and the design of the RST. The third analyzes the specific characteristics of RSF agreements signed with Global South countries, and how they condition the environmental policy space of borrowing governments.

## **2. Green thinking**

Environmental issues have three milestones on the IMF’s agenda: pre-COP21, post-COP21, and post-pandemic. Although since the 1990s the IMF Executive Board encouraged the institution to address environmental issues (Skovgaard, 2021), until the 2015 Paris Agreement, the Fund addressed environmental issues only tangentially, as it considered them outside its expertise and core areas (i.e., fiscal, monetary, external, and financial). A key turning point before 2015 was in 2008, when the IMF’s first official publications began to address fuel subsidies as a distinct concept and explicitly included environmental externalities in their analysis. This approach laid the foundation for the IMF’s future work in this area.

The Paris Agreement established goals and metrics for the reduction of GHG emissions to achieve the goal of keeping the increase in the global average temperature below 2 degrees Celsius from pre-industrial levels (and ideally at the 1.5° C threshold). This objective, shared by most countries in terms of both the number and the proportion of GHG emissions, constituted a central milestone that spurred a series of initiatives. Among them, for example, was the relaunch of the Green Climate Fund, established at COP15 (in 2009), which originally aimed to provide US\$100 billion annually in global financing to support adaptation and mitigation investments (although, to date, this was not achieved).

The Paris Agreement marks the beginning of a second stage, where the IMF started to progressively incorporate environmental issues into its agenda, considering the macro critical importance, and hence, with a potential impact on the core variables monitored by the institution, of climate change. That is, due to the fiscal and financial costs of climate shocks, and given the magnitude of the investment needed to mitigate and/or adapt to them, environmental variables must be considered within the IMF's monitoring and surveillance of its member countries. The IMF emphasized the urgent need to decisively reduce the pace of GHG emissions in order to avoid a tipping point that could trigger a climate crisis with unpredictable impacts. In this context, the Fund promoted the net-zero emissions agenda. Drawing on the work of Skovgaard (2021) and Clift (2024), the IMF's approach to the environmental agenda has been shaped by an economic lens rooted in its neoclassical orientation with a fiscal bias, and by its mandate centred on promoting economic growth and financial stability. This implied the deployment of mitigation and adaptation strategies, which its concrete policy recommendations have focused on three areas: (a) promoting green fiscal policies, particularly carbon taxation (providing there is sufficient fiscal space); (b) encouraging investment in low-emission energy generation and distribution; and (c) supporting a broad range of environment-specific measures, from water and land management to disaster risk coordination.

According to official documents, the IMF relied on collaboration with the World Bank (WB), the Organisation for Economic Co-operation and Development (OECD), the International Energy Agency (IEA), Germany, and the United Kingdom to promote capacity development and strengthen its knowledge on environmental issues (IMF, 2021a). Its initial actions were threefold: publishing materials, incorporating the issue into bilateral surveillance, and developing fiscal capacities. Regarding publications, since 2015 the IMF began to analyse environmental issues. This was reflected in numerous research studies and specific chapters included in its three flagship global publications: the *World Economic Outlook*, the *Global Financial Stability Report*, and the *Fiscal Monitor*.

Secondly, the IMF incorporated environmental variables –with a macroeconomic and financial perspective– into its members’ annual Article IV bilateral surveillance reviews (IMF, 2021b). Regarding macroeconomic surveillance, it addressed building resilience and adaptation in the most climate-vulnerable countries through the Fund’s Climate Change Policy Assessments (CCPA), later replaced by the more ambitious Climate Macroeconomic Assessments Programs (CMAPs). Concerning GHG emissions reduction, the organisation promoted specific studies to encourage mitigation strategies and the transition to a lower mission economy. Moreover, regarding the inclusion of the green agenda in financial surveillance, the IMF integrated the measurement of environmental risks into its Financial Sector Assessment Program (FSAP), often conducted in the economies of the northern countries which are relatively more developed. Through these measures, it incorporated climate risk stress tests, regulation and supervision of the financial sector, monetary policy, central bank operations, and climate-related debt management issues.

In terms of capacity building, the Fund developed models and recommendations around the idea that fossil fuel prices should reflect their environmental cost—that is, any price that fails to do so constitutes an implicit subsidy. This principle translates into a range of measures, including carbon taxes, the removal of fossil fuel subsidies, and the establishment

of carbon pricing frameworks. Additionally, it continued promoting the adoption of green budget models and investment management strategies to attract public and private financing in Environmental, Social, and Governance (ESG) initiatives, e.g. incorporating a climate component (the C-PIMA) into its Public Investment Management Assessment (PIMA) framework to assess infrastructure governance practices for all countries.

### **3. Green financing. The Resilience and Sustainability Facility**

The onset of the COVID-19 pandemic marked the beginning of the third and last stage.

By mid-2020, as the economic crisis reached its lowest point, the IMF Managing Director Kristalina Georgieva considered that the institution should encourage a green recovery, meaning that post-pandemic growth should be accompanied by investment in climate change adaptation and mitigation (Volz, 2020). Meanwhile, countries of the South were demanding additional resources to address the unexpected healthcare expenses resulting from the pandemic and to receive some debt burden relief. Consequently, the IMF and the World Bank promoted the Debt Service Suspension Initiative (DSSI) within the G20 framework, which offered a deferral of principal and interest payments on official bilateral debt falling due in the following year to 77 low-income countries (LICs) borrowing from the International Development Association (IDA) of the WBG. To include private creditors, the DSSI was replaced at the G20's request by the mentioned Common Framework, which has so far yielded extremely limited results compared to expectations.

Regarding the demand for increased financing, in 2021 the IMF secured member countries' support to issue an additional USD650 billion in Special Drawing Rights (SDRs). Since the allocation was based on the existing quota distribution, 67% of the total was concentrated in wealthy countries that did not need the financing. For this reason, the Fund promoted the voluntary reinvestment of SDRs by central countries to fund a

trust that would provide long-term financing, leading to the creation of the Resilience and Sustainability Trust (RST). This new IMF facility offers resources to address the fiscal, monetary, financial, and/or external impacts of long-term challenges such as climate change and pandemics (among others). Measures can be promoted include: the analysis and assessment of climate risks; the establishment of frameworks, guidelines and financial taxonomies; the promotion of investment in climate change adaptation; the implementation of climate change mitigation policies that reduce fiscal and external risks; the deployment of social protection strategies; the integration of climate considerations into financial management; and the attraction of public-private financing within the framework of national climate strategies.

RST lending is aimed at a group of 143 countries developing countries that meet one of these two criteria: a) a GNI per capita equal to or less than ten times the GNI per capita threshold for IDA credit graduation (equivalent to 11,850 USD)<sup>1</sup> and/or small developing states with a population of fewer than 1.5 million and a GNI per capita up to 25 times the IDA threshold (equivalent to 29,625 USD). These universe is divided into three groups: group A, defined as those Poverty Reduction and Growth Trust (PRGT) eligible and non-blended<sup>2</sup> countries; group B, which include PRGT eligible and presumed blenders plus non-PRGT small states with a GNI per capita equal to or less than 11,850 USD; and group C, only GRA (non-PRGT) borrowers and small states with a GNI per capita equal to or less than 25 times the IDA threshold (equivalent to 29,625 USD). The applicable interest rate for each group varies, and currently ranges from 2.80% for group A to between 4.80% and 5% for groups B and B, plus an additional service charge. Table 1 summarizes this information.

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1 All values correspond to 2021, according to the World Bank's Atlas methodology.

2 This means that they are countries eligible for financing under the IMF's Poverty Reduction and Growth Trust (PRGT), but not from the General Resources Account (GRA).

**Table 1:** RST eligible countries. Groups, definitions and interest rate

Country Group	Definition	Interest Rate
A	PRGT eligible, not presumed blenders	SDR Rate (2.25% cap) Margin 0.55%
B	PRGT eligible, presumed blenders and/or B small states (Pop <1.5M + GNI ≤11,850 USD)	SDR Rate (4.06%) + Margin 0.75% + Service charge on each disb: 0.25%
C	Only GRA borrowers (non PRGT) C small states (Pop < 1.5M + GNI ≤29,625 USD)	SDR Rate (4.06%) + Margin 0.95% + Service charge on each disb: 0.50%

Source: Own elaboration based on IMF data and Andrews (2022).

The RST offers a financing line, the Resilience and Sustainability Facility (RSF), of 150% of each country's quota (up to SDR1 billion, or US\$1.3 billion at current exchange rate). The RSF has a minimum duration of 18 months and must accompany another regular or concessional upper credit tranche programme (UTC); thus, the RSF may be signed simultaneously with an UCT program or be added to an existing UCT program with at least 18 months of remaining duration. The program includes specific structural benchmarks, and it features a 20-year extended repayment period, with a ten-and-a-half-year grace period.

The RST is funded with over USD 41 billion from the voluntary contributions of SDRs received in the special allocation of 2021 by 19 high-income countries plus two developing countries (and potential borrowers) that open and close the list based on the magnitude of their contributions: China and Mauritius Island. China and Europe are the main contributors at the country and regional levels, with almost 20% and more than 50% of the total funding, respectively. In terms of regions, there are 12 countries from Europe, 3 from Asia, plus Canada, Australia, Qatar, and Oman (see Table 2).

**Table 2:** RST Funding countries and contributions

<b>% IMF votes</b>	<b>Country</b>	<b>In USD billions</b>	<b>% of total</b>
6,08	China	7,96	19,33%
5,31	Germany	6,71	16,29%
6,14	Japan	6,62	16,07%
4,03	France	4,05	9,83%
4,03	United Kingdom	3,32	8,06%
3,02	Italy	2,55	6,19%
1,92	Spain	1,88	4,56%
2,22	Canada	1,84	4,47%
1,76	Netherlands	1,62	3,93%
1,33	Australia	1,23	2,99%
1,73	Korea	1,19	2,89%
1,30	Belgium	0,89	2,16%
1,17	Switzerland	0,66	1,60%
0,29	Luxembourg	0,34	0,83%
0,12	Lithuania	0,11	0,27%
0,17	Qatar	0,07	0,17%
0,14	Oman	0,05	0,12%
0,06	Malta	0,03	0,07%
0,08	Estonia	0,03	0,07%
0,49	United Arab Emirates	0,02	0,05%
0,06	Mauritius	0,02	0,05%
<b>41,45%</b>	<b>Total</b>	<b>41,19 B</b>	<b>100%</b>

*Note: Own elaboration based in IMF data.*

Since its launching, the RSF has shown relative interest among eligible countries. While the long-term repayment period double that of the IMF's longest credit line, is valued, the limited amount and the requirement that it must accompany a traditional program— which may involve austerity conditions

that could constrain the fiscal space on which the RSF depends — have resulted in 22 out of 143 eligible countries subscribing to an RSF more than two years after its implementation<sup>3</sup>. This represents 15% of the potential universe, with total financing of over USD 10.7 billion on this regions' distribution: 14 from Africa, 4 from Latin America and the Caribbean, 2 from Eastern Europe, 1 from Asia, and 1 of Oceania (See Table 3).

In addition to the reluctance of some countries to be subject to the conditionalities attached to concurrent UTC programs, the gradual evolution of the stock of credits granted under the RSF is also explained by the conservative structure of the Trust. No more than two-thirds of the financial resources mobilized by the Resilience and Sustainability Trust (RST) can ultimately be allocated to lending through the Resilience and Sustainability Facility (RSF), as the remaining one-third is held as a reserve (Serra and Gallego, 2024). Regarding the RSF's scope, although is limited in terms of the potential eligible universe, the IMF has managed to secure participation from at least one country on each continent. This is a noteworthy fact, as RSF programs aim to address a global issue such as climate change.

#### **4. Green policy in the making**

Costa Rica, the so-called “green champion” was the first recipient of the RSF, followed by Barbados, which is promoting the Bridgetown initiative of debt swap for green investment. Then, the focus went clearly on Sub-Saharan Africa, the region with the greatest financing needs.

While institutional documents serve to provide insight into the guidelines informing the IMF's environmental recommendations, analyzing the conditionalities included in the RSF programs offers a clearer picture of the specific orientation assumed by the organization's recommendations in its interaction recipient countries. Although each program is

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3 The IMF announced that Pakistan had reached an agreement for a new RSF, but at the time of writing, the final document was not yet available. The Fund also indicated the interest of Jordan and Gambia.

**Table 3:** Detailed 22 RSF programs by country and amounts

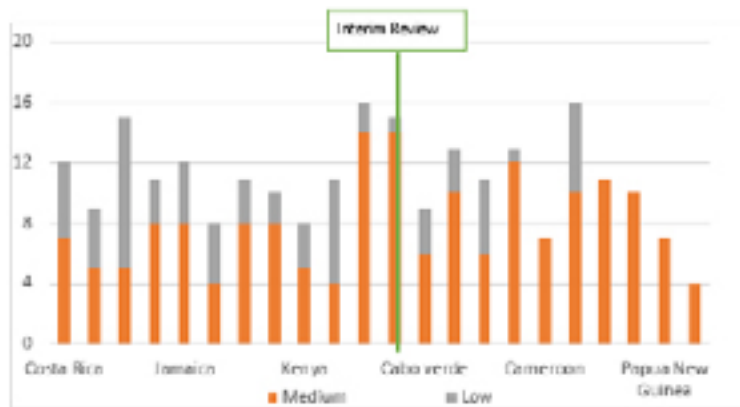
Region	Member	Main program	Main Program approval	RSF Date of approval	Expiration	IMF quota	Total original programs agreed SDR (excl RSF)	Total RSF Amount	RSF % of quota	Country group
LAC	Costa Rica	EFF	mar-21	nov-22	jul-24	480,2	1.621,1	725,9	150%	C
LAC	Barbados	EFF	dic-22	dic-22	dic-25	122,9	113,1	188,5	150%	C – SDS
Africa	Rwanda	PCI	dic-22	dic-22	dic-25	208,3	0,0	319,6	150%	A
Asia	Bangladesh	ECF – EFF	ene-23	ene-23	jul-26	1.386,6	3.332,4	1.350,0	94%	B
LAC	Jamaica	PLL	mar-23	mar-23	feb-25	497,8	974,9	769,6	150%	C
Europe	Kosovo	SBA	may-23	may-23	may-25	107,4	106,6	82,4	75%	C
Africa	Seychelles	EFF	may-23	may-23	may-26	29,8	56,4	45,7	150%	C – SDS
Africa	Senegal	ECF – EFF	jun-23	jun-23	jun-26	420,7	1.506,4	322,8	75%	B
Africa	Kenya	ECF – EFF	abr-21	jul-23	abr-25	705,6	3.929,9	545,5	75%	B
Africa	Niger	ECF	dic-21	jul-23	jun-25	171,1	264,5	132,3	75%	A
Africa	Morocco	FCL	abr-23	sept-23	abr-25	1.162,7	4.881,3	1.310,0	112%	C
Europe	Moldova	ECF – EFF	dic-21	dic-23	oct-25	224,3	796,4	173,4	75%	B
Africa	Cabo Verde	ECF	jun-22	dic-23	jun-25	30,8	60,3	31,8	100%	A – SDS
Africa	Benin	ECF – EFF	jul-22	dic-23	ene-26	160,9	648,6	199,1	120%	B
LAC	Paraguay	PCI	dic-22	dic-23	nov-25	261,8	0,0	404,8	150%	C
Africa	Mauritania	ECF – EFF	ene-23	dic-23	jul-26	167,4	86,3	258,9	150%	A

Region	Member	Main program	Main Program approval	RSF Date of approval	Expiration	IMF quota	Total original programs agreed SDR (excl RSF)	Total RSF Amount	RSF % of quota	Country group
Africa	Cameroon	ECF – EFF	jul-21	ene-24	jul-25	358,8	789,2	183,5	50%	B
Africa	Cote d'Ivoire	ECF – EFF	may-23	mar-24	sept-26	845,5	3.434,1	1.287,8	150%	B
Africa	Madagascar	ECF	jun-24	jun-24	jun-27	317,7	338,7	322,6	100%	A
Africa	Tanzania	ECF	jul-22	jun-24	may-26	517,1	1.050,2	787,6	150%	A
Oceani a	Papua New Guinea	ECF – EFF	mar-23	dic-24	dic-26	342,2	889,6	256,6	75%	B
Africa	Congo Dem Rep	ECF	ene-25	ene-25	mar-28	1.385,8	1.732,3	1.039,4	75%	A
<b>Total</b>								<b>10.737,7</b>		

Note: Own elaboration based on IMF data.

also conditioned by the objectives pursued by each borrower, an aggregate analysis provides an indication of what the IMF seeks or accepts in its environmental agenda in developing countries.

To this end, the reform measures (RMs) included in the 22 RSF programs and their reviews were analyzed. The analysis yields a total of 259 RMs, distributed between 22 programs, an average of 11,7 per program. The distribution among countries is even, with Kosovo and Cameroon having the agreement with the lowest (8) and Morocco and Cote d'Ivoire with the highest (16) number of RMs (Figure 1).



**Figure 1:** Reform Measures included in 22 RSF arrangements (2022–2025) by structural depth and country. Note: Own elaboration based on IMF data.

RMs can also be distinguished by structural depth (SD) according to the degree and duration of the structural change they would bring about if implemented. Following the definitions by the IMF, RMs are grouped into three SD categories: low, medium, or high. Conditions with low SD refer to those measures that would not in themselves contribute to significant economic change but could serve as a starting point for implementing important reforms.<sup>4</sup> Conditions with medium SD require the

<sup>4</sup> For example, the preparation, announcement, or presentation of plans, strategies, or legislation.

implementation of exceptional measures that are expected to have an immediate and possibly significant effect, but which will need to be supplemented after their implementation with other measures to ensure their lasting effect.<sup>5</sup> Finally, those with high SD refer to reforms that lead to permanent institutional changes, e.g. involving legislative changes, or conditions with long-lasting impact.<sup>19</sup>

The analysis yields a total of 259 RMs, being 80 of low structural depth, 173 medium and 6 high. More than two-thirds of the conditions in the RSF programs have medium SD. This means the demand for immediate and significant changes but the requirement of further measures to ensure their duration. For example, extending tax exemptions for electric vehicles (in Barbados), defining a methodology for the ex-ante evaluation of investment projects, including guidelines for climate change adaptation and mitigation, and integrate it into a project preparation guide (Cameroon), or to adopt a green finance taxonomy aligned with updated NDC and reflecting stakeholder feedback (Kenya).

Also, since the publication of an IMF's Interim Report in November 2023 on the RSF's performance, RSF programs have become more ambitious and better structured, following new IMF guidance linking reform quality to access levels. While this shift improved program depth, it also might lead to slower approvals—either due to longer preparation times or reduced country interest in more demanding conditions. The data analysed supports this view and shows closeness with Dimond & Gupta (2024): the average share of medium- or high-depth reform measures per agreement increased from 62% to 75% between programs approved before and after the report, while the average number of measures rose slightly from 11.3 to 12.2.

Hence, the RSF programs seem to have an agenda of measures aimed at generating substantive changes. Table 4

5 For example, the publication, by a certain date, of the budget or the accounts of public enterprises, the implementation of certain frameworks or guidelines, or regulatory changes by the Executive.  
<sup>19</sup> For example, civil service reforms, SOE reforms, privatisation.

summarises the distribution of all conditionalities by area and depth.

**Table 4:** Reform Measures included in the RSF programs by structural depth and policy area (2022–2025)

Area / SD	High	Medium	Low	Total	%
Environment	5	39	14	58	22%
Energy		22	5	27	10%
Financial		29	12	41	16%
Fiscal	1	78	47	126	49%
Social		5	2	7	3%
<b>Total</b>	<b>6</b>	<b>173</b>	<b>80</b>	<b>259</b>	

*Source: Own elaboration based on IMF Data.*

Moreover, almost half of the measures are concentrated in the fiscal sector, and, together with the financial area, these are two IMF core areas account, unsurprisingly, for almost two thirds of total RMs. Fiscal RMs can be grouped into five sub-areas: green taxation (reforms in taxes and subsidies to encourage the use of renewable energy or discourage the use of fossil fuels, and to establish carbon pricing), green investment management (for example, designing and implementing selection and management criteria for green public investment projects), green budgeting (implementing a climate focus in the budget), promoting specific financing mechanisms for environmental agendas (such as establishing a disaster fund), and general institutional management of climate governance. Regarding financial RMs, two subgroups can be identified: strengthening climate risk management in the financial sector (which includes generating data and implementing frameworks and guidelines), and implementing taxonomies to attract green financing from the private sector.

The first two Fiscal—green taxation and investment management— and the Financial RMs reflect coherence between the IMF’s policy approach and how it conceives the climate

agenda: fiscal incentives, investment and the strengthening of the market governance are needed to address the challenge of reducing GHG emissions. Interestingly, however, nearly one-third of the reform measures correspond to sectoral actions related to the broad range of issues on the environmental agenda: water and land management, disaster policy, urban planning, forest conservation, and, in particular, energy management, given the centrality of the energy transition in the decarbonization process. It is an area that, as mentioned, the IMF has only very recently incorporated into its agenda. In this sense, environmental and energy measures are extremely specific conditions that exceed the primary responsibility of the institution, thus suggesting a case of “mission creep” (Babb & Buira, 2005) towards new areas of interest within the financial community. The emergence of the ‘social’ category within the RMs reflects the IMF’s willingness to address the potential negative distributive impact of fiscal and environmental decarbonization measures on vulnerable sectors (see particularly the case of Benin).

Additionally, it is likely that, due to both the specificity and variety of the measures, these reflect requests made to the IMF by the countries themselves. For example, Paraguay established energy efficiency standards by decree for appliances that account for the highest share of household electricity consumption; the Democratic Republic of the Congo reformed its mining code to align it with environmental and forest protection standards; Moldova approved a Disaster Risk Management program; and Morocco developed detailed water regulations, including provisions on usage and pricing. This could be interpreted to mean that the IMF’s shift toward the environmental agenda is partially driven or shaped by borrowing countries themselves.

Finally, RMs are classified according to the administrative procedure through which the policy objective is pursued. Three categories are established:

- Firstly, regulatory measures, which include all types of normative changes that directly impact governance—such

- as tax reforms, tariff regulations, or changes in government management;
- secondly, frameworks and guidelines, referring to the design and/or implementation of management models that involve standardizing procedures—for example, financial risk frameworks, taxonomies, or budget tagging manuals; and
  - thirdly, analysis and assessments, which involve the production and/or dissemination of data or evaluations that may serve as the basis for regulatory changes—for instance, climate risk assessments.

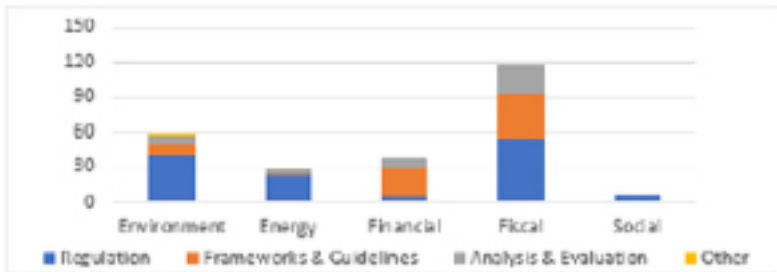
Cross-referencing the measures by policy sector and by administrative procedure (Table 5 and Figure 2) shows that almost one-half of the fiscal conditionalities aims at generating regulatory changes mostly, as mentioned, changes in fiscal incentives to facilitate green investments, while those measures directed towards at implementing new frameworks and guidelines and promoting analysis and evaluations have been evenly distributed between the fiscal and the financial sectors. Lastly, most of the environmental measures (included the energy sector) also aims at promoting regulatory changes, this means, concrete reforms.

Stylized examples of fiscal or social reform measures typically include tax or distributional changes (regulatory), the establishment of green budget tagging systems (frameworks and guidelines), and analyses related to these changes. Environmental and energy-related reforms often involve modifications to environmental regulations or electricity sector rules (regulatory), or the implementation of risk management procedures; frameworks and guidelines. Lastly, the financial area concentrates a high proportion of reform measures aimed at standardizing risk assessment frameworks or bond issuance practices, with the goal of strengthening market governance.

**Table 5:** Reform Measures included in the RSF programs by policy sector and administrative procedure (2022–2025)

Area	Administrative Procedure			
	Regulation	Frameworks & Guidelines	Analysis & Evaluation	Other
Environment	67%	17%	12%	3%
Energy	85%	7%	7%	0%
Financial	12%	61%	20%	7%
Fiscal	42%	31%	20%	7%
Social	100%	0%	0%	0%
<b>Total</b>	<b>49%</b>	<b>29%</b>	<b>16%</b>	<b>5%</b>

Source: Own elaboration based on IMF Data.



**Figure 2:** Reform Measures included in 22 RSF arrangements (2022–2025) by policy area and administrative procedure. Source: Own elaboration based on IMF Data.

## 5. Final Remarks and Policy Recommendations

The orientation assumed by the IMF’s climate approach in the RSF agreements can be summarised into four stylised objectives complementary with each other, which basically promote market-based solutions to reduce GHG emissions and, to a lesser extent, attract green investments in the southern countries. Firstly, the IMF provides green financing

to generate or standardise data and enable the estimation of both fiscal and financial risks and costs of climate change through conducting analysis and evaluations. Secondly, it aims at establishing frameworks, guidelines, and taxonomies to facilitate budget allocation, boost the foreign direct investment (FDI) flows tailored to the transition paths of each country, especially through the simplification and improved accuracy of project selection and management processes), and the issuance of bonds in local and developing capital markets. Thirdly, the Fund especially promotes those fiscal or tariff modifications that encourage green investment and create incentives for the production and use of low-carbon emissions technologies and/or discourage high-emission ones (e.g. the removal of subsidies for fossil fuels and the provision of fiscal incentives for the import of electric vehicles). The fourth and the last objective is to promote environmental regulatory changes to preserve natural resources. The issue here is advance legislation to promote water reuse, energy efficiency, recycling, and the use of biomass as an energy source. For these measures, which exceed its area of expertise, the IMF relies on cooperation with the World Bank and mainly European bilateral development agencies, together with consultations with the borrowing countries' governments.

This pattern reflects, in operational terms, three pillars promoted by the G20: improving the quality of public spending and investment with a climate focus; establishing financial frameworks that channel resources toward low-carbon assets; and fostering coherence between macroeconomic and sectoral policies to accelerate the transition.

The RSF has enabled the IMF to address the challenge of climate change more directly and with greater dynamism. For an institution traditionally rooted in an economic perspective and more attuned to the structural asymmetries in the global financial architecture, the launch of a long-term credit facility specifically designed for developing countries—with more favorable terms than market-based financing and focused on long-term challenges such as decarbonization—is a noteworthy innovation.

An analysis of the reform measures included in the 22 RSF agreements reveals additional aspects worth highlighting: an explicit emphasis on environmental issues relatively tailored to national agendas; a timid willingness to address the negative impacts on vulnerable sectors; and a reform agenda that aligns with the objectives and guidelines of the RSF program.

Nonetheless, and in line with the analyses and reflections that emerged during the G20 Summit in Brazil in 2024, we propose several recommendations to enhance the scope and impact of the RSF. Firstly, the IMF must seek to increase financing for southern countries. Several actions can contribute to this goal: (a) as recommended by the V20 group, remove the requirement of having an active upper credit tranche (UCT) program to access the RSF, or alternatively, allow access of up to 100% of the quota under the RSF without a concurrent UCT program. Avoiding the usual restrictive conditionalities could encourage more countries to request RSF arrangements; (b) aim to increase available resources by inviting new global powers—particularly in Asia—to contribute to the RST, in light of an increasingly polycentric global economy; and (c) ease reserve requirements to expand the pool of lendable funds.

Secondly, a multidisciplinary approach enriches the response to complex agendas like climate change. In this regard, the IMF should deepen its collaboration with regional multilateral development banks—such as the Inter-American Development Bank or the African Development Bank—which combine the World Bank’s sophisticated environmental expertise with greater sensitivity to regional contexts.

Thirdly, beyond increasing its own financing, the IMF should seek new pathways to catalyze resources. In addition to private capital, the RSF could attract investment from emerging sovereign powers, such as China.

Finally, climate change is a global challenge with an inescapable national dimension. Local adaptation must also permeate the fiscal and financial aspects of the RSF’s conditionality. The meaningful participation of civil society in the transition to low-carbon economies will contribute to

achieving sustainable and just processes—one of the strategic objectives of the Brazilian G20 presidency, which we warmly welcome in the Global South.

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## Chapter Eight

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