TASK FORCE
ON CLIMATE,
DEVELOPMENT
AND THE IMF

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IMF 2030

A Transformative Action Agenda to
Achieve Climate and Development Goals

Bangkok, Thailand.
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ABOUT THE TASK FORCE

The Task Force on Climate, Development and the International Monetary Fund is a consortium of experts from around the world utilizing rigorous, empirical research to advance a development-centered approach to climate change at the IMF. The Task Force believes it is imperative that the global community support climate resilience and transitions to a low-carbon economy in a just manner. As the leading multilateral, rules-based institution charged with promoting the stability of the international financial and monetary system, the IMF has a vital role to play in supporting a globally coordinated response.

MEMBER ORGANIZATIONS:

- Intergovernmental Group of Twenty-Four (G24)
- Vulnerable Group of Twenty (V20) Ministers of Finance
- African Center for Economic Transformation
- African Economic Research Consortium
- Boston University Global Development Policy Center
- Centre for Policy Dialogue
- Centre for Social and Economic Progress
- Financial Futures Center
- Macro & Green Finance Lab, National School of Development, Peking University
- United Nations Economic Commission for Latin America and the Caribbean

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IMF 2030 ACTION AGENDA

Ongoing discussions on reforming the global financial architecture provide a significant opportunity for the International Monetary Fund (IMF) to transform and support accelerating progress on development and addressing climate change this decade.

Given the urgency of addressing the global climate crisis and its intensifying impact on many climate-vulnerable Fund members, especially in light of the United Nations 2030 Sustainable Development Goals, the Task Force on Climate, Development and the IMF recommends immediate implementation of the reforms identified here over the next 12 months. The IMF Managing Director should lead this effort with the support of member countries and should report on the status of progress at the 2025 Annual Meetings.

VISION AND APPROACH

The IMF's vision and approach to climate change should reflect a sense of urgency given the intensifying nature of the climate crisis and the essential need for rapid action. The IMF should upgrade its tools to enable the investment push required and support a stepwise increase in financing to address climate change in a fiscally sound and financially stable manner.

This vision must be supported by reforming its surveillance functions, aligning its lending toolkit and enhancing of its leadership role.

REFORMING SURVEILLANCE

Methods & Coverage

- [ ] **Ahead of the 2026 surveillance review, the IMF should review its methodological approaches to better quantify the macro-critical impact of climate change.**

    - Climate risks and the opportunities and benefits of climate action should both be included in both medium- and long-term projections within its surveillance activities.

    - Existing modeling limitations lead to an underestimation of the costs of climate change and the benefits of climate investments.

- [ ] **Article IV reports should improve the analyses of cross-border spillovers, particularly how climate change and national policy responses will affect fiscal health and current and prospective balance of payments in other countries.**

    - Carbon border adjustment measures (CBAMs) can have significant distributional impacts on emerging market and developing economies (EMDEs). Revenue from CBAMs should be partly directed towards supporting climate investments in EMDEs.

    - Surveillance should also devote greater attention to adaptation, loss and damage, and restoration of nature.

Fiscal Considerations & Policy Stance

- [ ] **The IMF should help countries pursue their medium- and long-term strategies for sustainable growth while maintaining fiscal sustainability and financial stability.**

    - The IMF's policy advice on fiscal and debt sustainability should recognize the long-term benefits of climate action and the importance of low-cost capital in scaling up investments.

    - The IMF should recognize that, at best, carbon pricing is only a partial solution to mitigate climate change and raise financing for the climate transition.

    - In its Article IV reports, the IMF should support a mix of domestic and external sources of public finance to complement carbon pricing to fill the investment gap, evenhandedly recognizing the diversity of country circumstances.

    - Progressive domestic resource mobilization will also require additional capacity building and technical assistance.

- [ ] **As a part of its Article IV reports, the IMF should also help policymakers identify and manage increased climate investment-related capital flows consistent with domestic macroeconomic fundamentals.**

Instruments

- [ ] **Debt sustainability analyses (DSAs) should recognize the potential for public investment to spur economic growth and identify pathways to increase investment in ways that maintain fiscal sustainability.**

  - Its methodology should be refined through the use of granular data, scenarios that capture climate risks and their interactions in a forward looking way, macro-financial models that depict important characteristics of climate change, and the adoption of a risk management approach.
  - IMF and World Bank collaboration should also be strengthened, and the ongoing review of the IMF/World Bank Debt Sustainability Framework for Low-Income Countries (LIC DSF) offers an immediate opportunity for improvement.

- [ ] **The IMF should expand the scope of Financial Sector Assessment Program (FSAP) and the Financial Sector Stability Assessment (FSSA) to better incorporate the potential impacts of climate finance flows on the Non-Government Financial Sector.**

  - It should also provide guidance on managing future capital flows and deepening financial markets to ensure stability and resilience.

Capacity Development

- [ ] **Capacity building and technical assistance activities should expand their focus on progressive domestic resource mobilization for financing climate actions and managing fiscal shocks effectively.**

  - This support will enable nations to better integrate climate considerations into their fiscal and financial policies, ensuring that investments in climate resilience and green growth are both sustainable and economically viable.

- [ ] **The Fund should support enhancement of the technical capacity of countries to better understand and mitigate the impact of climate-related financial activities on the broader financial system.**

  - The Fund should help develop more robust regulatory and supervisory frameworks to fully capture the climate risks associated with private sector financial flows, which can also pose significant risks to a country's financial stability.

ALIGNING THE LENDING TOOLKIT

- ☐ **The IMF should commit its financing in support of the Paris Agreement's goal of limiting warming to 1.5C, responses to climate shocks and resilience-building, and investments in growth enhancing measures.**

  - This commitment will require a major reform in its financial and human resource capacity.

- ☐ **Analyses of the adequacy of Fund resources should incorporate the potential impacts of climate shocks and overlapping crises and address the increase in needs in forthcoming quota reviews.**

  - The IMF should also regularly review its instruments to ensure that its toolkit is fit-for-purpose and capable of supporting members mitigate shocks and crises.

- ☐ **Climate Resilient Debt Clauses should be incorporated in IMF loan agreements, and the Catastrophe Containment and Relief Trust (CCRT) should be replenished to support debt relief while expanding eligibility to climate-vulnerable economies.**

- ☐ **Lending instruments, including program design and eligibility criteria, should reflect the economic and climate-related needs of members.**

  - The IMF should highlight the contribution of climate investments to long-term debt sustainability so that policy responses are not limited to short-term stability measures.

- ☐ **The Fund should enable Resilience and Sustainability Facility (RSF) support for guarantees and other similar innovative financial instruments that support national plans.**

  - It should remove the requirement for a concurrent program to enable access to countries aspiring to build resilience to prospective shocks.

  - The RST's capitalization should be increased to respond to the high demand for financing and the need to support building resilience against prospective balance of payments crises.

- ☐ **The IMF should shift away from its emphasis on fiscal consolidation towards resource mobilization, recognizing the growth enhancing effects of clean energy investments and benefits of climate resilience.**

  - Climate investments also reduce sovereign risk and help to lower the cost of capital.

- ☐ **IMF programs should not lock countries into a fossil fuel intensive growth path, leaving them exposed to transition risks.**

  - The IMF conditionalities review provides an opportunity for this shift.

- ☐ **Urgent reform of lending rate policy should address the high cost of IMF lending and surcharge policy, as most borrowers have no reliable access to alternative sources of sustainable financing.**

ENHANCING GLOBAL LEADERSHIP

- [ ] **The IMF should recognize and communicate that delaying climate action is dangerous and stress the benefits of climate action and costs of inaction.**

- [ ] **In its flagship reports, the IMF should recognize the financing gaps in both mitigating climate shocks as well as in building resilience and accelerating the energy transition.**

    - The IMF should regularly assess progress in the mobilization of finance at the global and national levels. The IMF should underscore the essential need to lower the cost of capital to unlock financing.

- [ ] **As a part of multilateral surveillance, the IMF should shine a spotlight on the most climate vulnerable countries and the need for international action to support their transformation from climate vulnerability to climate prosperity.**

    - The IMF should highlight the need for stronger global financial mechanisms to address loss and damage and build resilience.

- [ ] **The IMF should reinforce international collective action on decarbonization in a manner that supports equitable burden sharing and recognize the significant distributional implications of international carbon price floors.**

- [ ] **The IMF should increase the scope and efficiency of re-channeling Special Drawing Rights (SDRs) by reviewing the framework to maintain SDRs as global reserve assets.**

    - The IMF should explore the regular issuance of SDRs to increase global liquidity and delink SDR allocations from quota shares so that countries benefit according to their liquidity needs.

- [ ] **The IMF should identify options to strengthen international collective action on climate finance, including options in international taxation measures, to complement domestic resource mobilization efforts to improve climate financing.**

Recently, the IMF Managing Director noted that when John Maynard Keynes said “in the long run, we’re all dead,” he meant that decisionmakers should not wait for market forces to resolve problems in the long run (Georgieva 2024). Rather, policymakers should actively address problems in the short run. This spirit needs to animate IMF reform discussions. The narrow window to limit warming to 1.5C, the need for developing countries to pursue structural transformations in a climate-constrained world, the increasingly apparent costs of a disorderly transition and the lost opportunities of remaining tied to a fossil fuel intensive economy require the IMF to pursue its evolution with urgency.

The Task Force looks forward to engaging with the IMF, its members and stakeholders to support an international financial architecture that is responsive to the urgent need to address the climate crisis in a manner that supports development aspirations of people around the world.

To stay up to date and learn more, visit: gdpcenter.org/TaskForce.

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