



February 2025

## RESILIENCE AND SUSTAINABILITY FACILITY— UPDATED OPERATIONAL GUIDANCE NOTE

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The Report prepared by IMF staff and completed on January 16, 2025 has been released.

The staff report was issued to the Executive Board for information. The report was prepared by IMF staff. The views expressed in this paper are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers  
are available to the public from  
<http://www.imf.org/external/pp/ppindex.aspx>

**International Monetary Fund**  
**Washington, D.C.**



January 16, 2025

## RESILIENCE AND SUSTAINABILITY FACILITY—UPDATED OPERATIONAL GUIDANCE NOTE

### EXECUTIVE SUMMARY

**This note provides general guidance on the operationalization of the Resilience and Sustainability Facility (RSF) for arrangement requests and reviews.** The RSF complements the existing IMF lending toolkit by providing longer-term, affordable financing to eligible members to help them address longer-term structural challenges from climate change and pandemic preparedness. The note has benefited from experience gained during early operationalization in a pilot phase and has been updated to reflect the outcomes of the Interim Review of the RST and Review of Adequacy of Resources that took place in May 2024.

Operational issues are covered in several areas:

- The RSF framework, including objectives, eligibility and qualification;
- RSF arrangement design, specifically identifying longer-term structural challenges, assessing the associated Balance of Payments (BoP) risks, designing reform measures and high-quality reform packages), and determining access levels;
- The catalytic role of RSF-supported reforms and financing;
- Coordinating diagnostics and reform priorities with outside expert stakeholders;
- The Enhanced IMF-World Bank Group Collaboration Framework for Scaled-Up Climate Action;
- The Principles for Stepped-up Cooperation with the World Bank Group and the World Health Organization on Pandemic Preparedness;
- Other RSF modalities, such as phasing, reviews, safeguards, and lending terms;
- Other operational considerations and documentation requirements.

The note is an aid to the implementation of the policy and its underlying principles. If there is any instance in which a provision of the guidance note or its implementation conflicts with Board policy, Board policy prevails.

Approved By  
**Dora Iakova (SPR),**  
**Papa N’Diaye (FIN),**  
**Bernhard Steinki (LEG)**

Prepared by a team led by Andrea Gamba (SPR) comprising staff of the Strategy, Policy, and Review Department, Finance Department and Legal Department, with contributions from FAD and MCM, including: Yazan Al-Karablieh, Nicolas Arregui, Javier Arze del Granado, Thomas Augsten, Jocelyn Boussard, Alex Grohovsky, Yuko Hashimoto, Jehann Jack, Deeksha Kale, Seunghwan Kim, Lukas Kohler (departmental lead), Pritha Mitra, Mariza Montes de Oca Leon, Henk Reinders, Bilal Tabti, and Christoph Ungerer, (all SPR); Vimal Thakoor (ICD); Linda Kaltani (departmental lead) and Alex Massara (both FIN); Emmanuel Mathias, Nadia Rendak, Anjum Rosha (departmental lead), Jonathan Swanepoel, and Joel Turkewitz (all LEG); Dora Benedek, Christine Richmond, and Suphachol Suphachalasai (all FAD); Tumer Kapan, Elena Loukoianova, and Ananthakrishnan Prasad (all MCM). Research assistance was provided by Maxwell Kushnir and Takako Iwaki, and editorial and administrative assistance by Linda Bisman and Alexandra Panagiotakopoulou.

The December 2024 update of this Operational Guidance Note was prepared under the guidance of Pritha Mitra (SPR) and Gabriela Rosenberg (LEG) by a team supervised by Andrea Gamba (SPR) comprising David Hart, Dominique Fayad, Clara Galeazzi, (all SPR), Anjum Rosha, Eugenia Siracusa (LEG); Linda Kaltani, Jacques Bougha-Hagbe, Simon Cooney, Greetje Everaert, Leonardo Pio Perez, Alex Massara, Kamfwa Mulenga (FIN); Mauricio Soto, Nick Carroll (FAD). Administrative assistance was provided by Elisavet Zachou and Naana Asomah.

## CONTENTS

Glossary	5
<b>INTRODUCTION</b>	<b>8</b>
<b>THE RSF FRAMEWORK</b>	<b>9</b>
A. Objectives, Eligibility, Qualification and Use	9
B. Concurrent UCT-Quality Instrument	12
C. Member’s Capacity to Repay and Debt Sustainability	15
<b>RSF ARRANGEMENT DESIGN</b>	<b>16</b>
A. Identifying Vulnerabilities Associated with Qualifying Challenges	16
B. Assessing Prospective Balance of Payments Stability Risks	19
C. Designing a High-Quality Package of Reforms	21
D. Determining Access Levels	31

<b>THE CATALYTIC ROLE OF THE RSF</b>	<b>34</b>
<b>COORDINATION WITH EXPERT STAKEHOLDERS</b>	<b>38</b>
<b>OTHER RSF ARRANGEMENT MODALITIES</b>	<b>41</b>
A. Phasing and Reviews	41
B. Safeguard Modalities	46
C. RSF Lending Terms	49
<b>OPERATIONAL CONSIDERATIONS</b>	<b>50</b>
A. Pre-Mission Work	50
B. Mission Work	54
C. Post-Mission Work and Documentation	55
D. Final RSF Arrangement Review	57
<b>BOXES</b>	
1. Balance-of-Payments Needs Under the RSF	10
2. Useful Resources to Inform Climate-Related RSF Design	18
3. Providing a Macroeconomic Justification for RSF Arrangements	20
4. RSF Conditionality for FCS and Small Developing States	26
5. Scaling up Climate Finance in Rwanda and Barbados	37
6. Climate Finance Roundtables	37
7. The Enhanced IMF-World Bank Framework to Scale up Climate Action	38
8. Supporting the implementation of RSF reforms	53
<b>FIGURE</b>	
1. Process for Determining Access	33
<b>TABLES</b>	
1. Illustrative Example of a RSF Reform Measure Matrix	29
2. Other Country and Development Partner Efforts	30
3. RSF Engagement Timeline	50
4. Proposed Word Count Limits for RSF Requests/Reviews	54
<b>ANNEXES</b>	
I. RST-Eligible Countries	59
II. RSF Financing Presentation in Tables for Program Documents	62
III. Assessment of Capacity to Repay the Fund in RSF Arrangements	64
IV. DSAs in Joint RSF-UCT Programs	70
V. Examples of Strong RMs for Climate	74
VI. The Enhanced IMF-World Bank Group Cooperation Framework for Scaled-Up Climate Action	79

VII. Applying the 2018 Framework for Enhanced Engagement on Governance in RSF Context \_\_ 83  
VIII. Key Operational Considerations Related to the Broad Coordination Principles on Pandemic Preparedness with the WHO and the WBG \_\_\_\_\_ 87

## Glossary

AML/CFT	Anti-Money Laundering and Combatting the Financing of Terrorism
AD	Area Department
AL	Assessment Letter
BMP	Balance of Payments Manual
Board	Executive Board
BoP	Balance of Payments
BTO	Back-To-Office
BUFF	Statements made by Management, Staff, or Executive Directors
C-PIMA	Climate Public Investment Management Assessment
CC	Climate Change
CCDR	Country Climate and Development Report
CD	Capacity Development
CES	Country Engagement Strategy
CMAP	Climate Macroeconomic Assessment Program
CSD	Common Surveillance Database
CtR	Capacity to Repay
CPAT	Climate Policy Assessment Tool
CPD	Climate Policy Diagnostic
CR	Country Report
CRND	Climate Related Natural Disaster
DSA	Debt Sustainability Assessment
DPO	Development Policy Operation
DIGNAD	Debt-Investment-Growth and Natural Disasters
DRM	Domestic Revenue Mobilization
DSF	Debt Sustainability Framework
ECF	Extended Credit Facility
EMDE	Emerging Markets and Developing Country
ESG	Environmental, Social, and Corporate Governance
EFF	Extended Fund Facility
EU	European Union
FAD	Fiscal Affairs Department
FADCP	Fiscal Affairs Department's Climate Policy Division
FATF	Financial Action Task Force
FIN	Finance Department
FD	Functional Department
FSAP	Financial Sector Assessment Program
FSSR	Financial Sector Stability Review
FCL	Flexible Credit Line
FCS	Fragile and Conflict-affected State(s)
FFSR	Fossil Fuel Subsidy Reform
FX	Foreign Exchange
GoC	Guidance on Conditionality
GDP	Gross Domestic Product
GFN	Gross Financing Need

GHG	Greenhouse Gas
GHSA	Global Health Security Agenda
GIR	Gross International Reserves
GRA	General Resources Account
GNI	Gross National Income
HFPM	Health Financing Progress Matrix
ICD	Institute for Capacity Development Department
IDA	International Development Association
IDB	Inter-American Development Bank
IHR	Internal Health Regulations
IMF	International Monetary Fund
ISD	Integrated Surveillance Decision
JEE	Joint External Evaluation
LEG	Legal Department
LIC	Low-Income Country
LIDC	Low-Income and Developing Country
LOI	Letter of Intent
LT	Long-term
M&E	Monitoring and Evaluation
MAC	Market Access Country
MCM	Monetary and Capital Markets Department
MD	Managing Director
MDB	Multilateral Development Bank
MEFP	Memorandum of Economic and Financial Policies
MIC	Middle Income Country
MOF	Ministry of Finance
MOT	Ministry of Transport
NAPHS	National Action Plans for Public Health Security
NDC	Nationally Determined Contributions
NHA	National Health Accounts
PEFA	Public Expenditure and Financial Accountability
PCI	Policy Coordination Instrument
PCM	Policy Consultation Meeting
PIM	Public Investment Management
PIMA	Public Investment Management Assessment
PFA	Post Financing Assessment
PFM	Public Financial Management
PLL	Precautionary and Liquidity Line
PN	Policy Note
PPP	Public Private Partnership
PS	Program Statement
PRGT	Poverty Reduction and Growth Trust
RES	Research Department
RM	Reform Measure
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust

SAI	Supreme Audit Institution(s)
SB	Structural Benchmark
SBA	Stand-by Arrangement
SCF	Stand-by Credit Facility
SDG	Sustainable Development Goal
SDR	Special Drawing Rights
SDRi	SDR Interest Rate
SDS	Small Developing State(s)
SLA	Staff Level Agreement
SR	Staff Report
SRDSF	Sovereign Risk and Debt Sustainability Framework
SPAR	State Party Annual Report
SPR	Strategy, Policy, and Review Department
SPRCD	SPR's Climate and Development Policies Division
STA	Statistics Department
UCT	Upper Credit Tranche
UNPR	Universal Health and Preparedness Reviews
T	Time
TA	Technical Assistance
TMU	Technical Memorandum of Understanding
UN	United Nations
VAT	Value-Added Tax
WB	World Bank
WHO	World Health Organization



## INTRODUCTION

**1. The Resilience and Sustainability Trust (RST) is a major innovation to the International Monetary Fund’s (IMF) lending toolkit.** The RST complements the existing lending toolkit by providing longer-term, affordable financing to eligible members to help them address longer-term structural challenges relating to climate change and pandemic preparedness. The IMF’s Executive Board approved the establishment of the RST in April 2022, and it became operational in October 2022. An interim review was completed in May 2024.<sup>1</sup> As of end-November 2024, twenty arrangements have been approved to access financing from the RST under the Resilience and Sustainability Facility (RSF).<sup>2</sup> RSF arrangements have focused so far on reducing risks to prospective Balance of Payments (BoP) stability from climate change through sets of measures covering both adaptation and mitigation.<sup>3</sup>

**2. This guidance applies to all RSF arrangements, including upcoming reviews of current arrangements and future requests for RSF financing.** Reviews under RSF arrangements in place as of January 8, 2025 and all subsequent requests will be guided by this note. The guidance will be further updated once we gain more experience with pandemic preparedness-related RSF financing requests. It is possible for the same RSF arrangement to support reform measures linked to climate change and pandemic preparedness.

**3. The note is organized as follows.** The first section provides key information on the RST framework, including objectives, eligibility and qualification. The second section provides guidance on RSF design, specifically identifying longer-term structural challenges, assessing the associated prospective BoP stability risks, designing high-quality reform packages, the characteristics of strong reform measures (RMs), and determining access levels. The third section covers the catalytic role of RSF-supported reforms and financing, followed by a section on coordination with outside expert stakeholders. The fifth section details other RSF arrangement modalities, such as phasing, reviews, safeguards, and lending terms. Finally, the note details operational considerations and documentation requirements.

**4. Several annexes provide more detailed information to assist country teams.** Annex I lists RST-eligible countries as of October 2023 and their respective country group classifications regarding the financial terms of RST financing. Annex II provides examples of the presentation of

---

<sup>1</sup> [Interim Review of the Resilience and Sustainability Trust and Review of Adequacy of RST Resources.](#)

<sup>2</sup> Resilience and Sustainability Trust (RST) references the vehicle for collecting, managing, and disbursing member contributions. The RST is a loan-based trust funded with donor contributions on a voluntary basis (2022 [RST Board paper](#) 16). The RSF is the facility under which RST loans are made available to members under an RSF arrangement.

<sup>3</sup> Specific areas include public financial management (e.g., green Public Investment Management (PIM), green budget tagging, climate-informed macro-fiscal frameworks, disaster risk management), sector-specific policies (e.g., energy efficiency, renewable energy growth, spatial planning), financial sector (e.g., managing financial sector climate risks), central banking (e.g., evaluate the legal mandate and the scope of contributions to climate policies), and fiscal policy (e.g., review of tax incentives to support decarbonization fuel subsidy reforms, and carbon pricing).

RSF financing in standard Fund-supported program tables. Annexes III and IV illustrate additional information on Capacity to Repay (CtR) Assessments and on completing Debt Sustainability Assessments (DSAs) for the upper credit tranche (UCT) quality and RSF arrangements. Annex V provides some examples of strong RMs to address longer term challenges related to climate change. Annex VI provides detailed guidance on the implementation of the enhanced IMF-World Bank Group Cooperation Framework for Scaled-Up Climate Action. Finally, Annex VII summarizes key aspects of the 2018 Governance Framework that are relevant for RSF arrangements, and Annex VIII provides an initial list of potential RMs to address longer-term challenges related to pandemic preparedness that could be supported by the RSF.

## THE RSF FRAMEWORK

### A. Objectives, Eligibility, Qualification and Use

**5. The RST aims to enhance members’ prospective BoP stability by promoting economic resilience and sustainability through** (i) support for policy reforms that reduce macro-critical risks associated with longer-term structural challenges, and (ii) augmenting longer-term policy space and financial buffers to mitigate risks arising from such longer-term challenges ([RST Board paper](#), ¶16). In this sense, the RST complements the IMF’s lending toolkit by providing longer-term financing compared to the Fund’s other lending instruments which focus on short- and medium-term challenges.

**6. Eligibility.** RST eligibility is based on a combination of per capita income and population thresholds. At its inception, the Board defined RST-eligibility based on two criteria: (i) an IMF member’s per capita gross national income (GNI) in 2020 (or 2019, if 2020 data is not available) does not exceed ten times the 2021 International Development Association (IDA) operational cutoff (\$1,205) or (ii) it has a population below 1.5 million as of 2020, as reported by the World Bank (WB), and its per capita GNI in 2020 (or 2019, if 2020 data is not available) does not exceed twenty-five times the 2021 IDA operational cutoff ([RST Board paper](#), ¶34-36). The list of RST-eligible countries (Annex I) will be updated to reflect updated IDA operational cutoffs at periodic reviews, which are synchronized with Poverty Reduction and Growth Trust (PRGT) eligibility reviews that are currently on a two-year cycle.<sup>4</sup> Ad hoc decisions on eligibility could be taken in interim periods to avoid disadvantaging a member that is not on the eligibility list but meets the eligibility criteria.

**7. To qualify for an RSF arrangement,** eligible members should:

---

<sup>4</sup> The next review of eligibility will take place as part of the upcoming comprehensive review of the RST.

- (i) present a high-quality package of reform measures (see ¶23-27)<sup>5</sup> that help the member make significant progress toward strengthening its prospective BoP stability by reducing macro-critical risks related to qualifying longer-term structural challenges (Box 1);<sup>6</sup>
- (ii) have a concurrent on-track qualifying UCT-quality instrument with at least 18 months remaining at the time of RSF arrangement approval to ensure adequate policy safeguards, support a stable macroeconomic environment in which RSF-supported reforms can be effective, and provide sufficient time for RSF-supported reform implementation (¶10-14);<sup>7</sup> and
- (iii) have sustainable debt and adequate capacity to repay (¶15-17).

### Box 1. Balance-of-Payments Needs Under the RSF

By reducing prospective balance of payments risks, an RSF arrangement aims to contribute to longer-term prospective BoP stability. In some rare cases, the RSF arrangements may also have an impact on short- and medium-term BoP needs. Staff should illustrate in program documentation:

- *Risks to prospective BoP stability that may entail longer-term BoP financing needs* associated with the relevant longer-term structural challenges (¶21). These risks are a qualification criterion for an RSF arrangement (though they are *not* related to access levels, which are governed by separate criteria, see ¶42-45). Leveraging diagnostics and available modelling tools (Box 3), staff should strive to illustrate the challenges to prospective BoP stability and substantiate the relevance of the proposed package of reforms to mitigating these prospective risks. Quantification, if feasible, is expected, but not required given inherent challenges.
- *Where relevant, any direct short to medium-term BoP financing needs* (see ¶13, 42) arising from the implementation of RSF-supported reforms. Staff should provide precise estimates and include them in the fiscal or BoP frameworks. Any positive impact on the BoP in the short-to-medium term from RSF-supported reforms should also be captured to the extent possible.

<sup>5</sup> The April 2022 Board Paper (¶139) notes that qualification requires “a package of high-quality reform measures”. The 2024 interim review elaborated further on the necessity of a high-quality package of reform measures for access at the norm. This package is summarized in a “detailed statement of reform measures” (per the RST instrument), typically in the MEFP.

<sup>6</sup> In establishing the RST, the Executive Board decided that RST operations should initially focus on climate change and pandemic preparedness, while maintaining flexibility to add additional qualifying challenges in the future subject to the consent of contributors ([RST Board paper](#), ¶10, 11 & 29).

<sup>7</sup> This criterion will be considered met when an eligible member is either requesting or has an active, on-track Stand-by Arrangement (SBA), Extended Fund Facility (EFF), Precautionary and Liquidity Line (PLL), Flexible Credit Line (FCL), Stand-by Credit Facility (SCF), Extended Credit Facility (ECF) arrangement, or Policy Coordination Instrument (PCI) (all referred to as “UCT-quality instrument” in this Guidance Note (GN)). “Financing under the RST requires a concurrent UCT-quality Fund arrangement or instrument (henceforth called “UCT instrument”) to (i) provide adequate policy safeguards that contribute to mitigating the credit risk associated with RST financing and maintaining the reserve asset status of RST contributions, a key requirement for central banks of many potential contributors, (ii) mitigate the risk of facility shopping, whereby the RST’s longer and cheaper financing could be (mis)used to finance BoP problems normally addressed under General Resource Account (GRA)/PRGT programs, and (iii) support a stable macroeconomic environment in the borrowing country which is a necessary condition to pursue long-term reforms and support a catalytic role for the RST” ([RST Board paper](#), ¶19). SLL arrangements do not qualify given their short duration, and Staff Monitored Program (SMP)-even those of UCT quality-are excluded as they are not Fund supported and do not have the same level of financing assurances and safeguards. Similarly, emergency financing such as RCF or RFI does not qualify for the RSF.

**8. Program documents should describe how the RSF reforms and financing would support the authorities’ climate or pandemic preparedness strategies.** The purpose of the RSF reforms and financing is to help members address the longer-term structural challenges of climate change and pandemic preparedness, with the goal of strengthening their prospective (future) balance of payments stability. The staff report for the RSF arrangement request (and any relevant SR outlining significant changes in the design of the RSF arrangement) should note the intended uses of the RSF financing, which can include: (i) covering any shorter-term BoP/fiscal needs directly associated with implementation of RST-supported reforms; (ii) increasing policy space for fiscal spending and reforms associated with qualifying longer-term structural challenges, and (iii) augmenting longer-term buffers to strengthen the member’s ability to face shocks linked with qualifying longer term structural challenges (Board Paper, ¶116, 30). Any direct costs related to the implementation of RMs should be described in detail. Current BoP needs not directly linked to RSF reforms should be covered by the UCT-quality instrument (¶113, Annex II).

**9. For the purpose of providing greater transparency, the authorities would be expected to publicly state their intentions for the use of the RSF financing in the Memorandum of Economic and Financial Policies/Program Statement (MEFP/PS).** Ideally such statements would be grounded in and refer to the authorities broader strategy for climate or pandemic preparedness,<sup>8</sup> keeping in mind that RSF loans are not earmarked for specific projects.<sup>9</sup> If the authorities intend to use RSF financing as budget support, general IMF policies on budget support apply, including specifying this in program documents and ensuring that appropriate arrangements between the Central Bank and the Ministry of Finance are in place.<sup>10</sup> RSF arrangements cannot be used on a precautionary basis; available financing is expected to be drawn promptly after the Board approves an RSF disbursement (¶163, [RST Board paper](#), ¶130).

---

<sup>8</sup> For FCL and PLLs, these could be included in the Written Communications. An example of statements on the general use of funds is the following: “The RSF will support our budgetary efforts to build resilience to climate change through greater spending on resilient infrastructure and green energy, as envisaged in our National Mitigation and Adaptation Plan.” The staff report can state: “The RSF will increase the policy space for fiscal spending and reforms to build resilience to climate change – in line with the country’s climate strategy – which would ultimately strengthen prospective balance of payments stability.” Another example: “The RSF will augment international reserves thus improving investors’ confidence and strengthening the country ability to face future climate-change related shocks.”

<sup>9</sup> Use of RST financing for budget support could also consider, inter alia and depending on country specific circumstances: well-targeted, temporary subsidies to incentivize green technologies; and augmenting social assistance to offset carbon price increases; these uses should be well-costed and directly linked to RSF reforms (Box 1, ¶43). The RSF may also facilitate the expansion of the envelop of “green” public investment and/or contributions to well-designed green PPP projects by providing additional policy space (Board paper, footnote 14). When reporting on such cases, the authorities and staff should bear in mind that (i) the budget should remain fully financed within the UCT program, without the RSF (¶113; (ii) “earmarking” projects or part of the Public Investment Pipeline to be contingent on RSF resources should be avoided.

<sup>10</sup> See [Staff Guidance Note on the Use of Fund Resources for Budget Support \(2010\)](#).

## B. Concurrent UCT-Quality Instrument

**10. Implications for requests, reviews, and termination of RSF arrangements.** An RSF arrangement should be approved concurrently with either the approval of, or the completion of a review under a qualifying UCT-quality instrument with at least 18 months remaining until its expiration (see ¶49, [RST Board paper](#)). For FCL arrangements only, the approval of an RSF arrangement could take place on a stand-alone basis after the approval of the FCL arrangement.<sup>11</sup> Aside from when an FCL is the accompanying UCT-quality instrument, no RSF arrangement review can be completed outside of the concurrent UCT-quality instrument reviews.<sup>12</sup> Delays in completing reviews under the concurrent UCT-quality instrument would also delay RSF arrangement reviews. The RSF arrangement automatically terminates when the concurrent UCT-quality instrument expires or is cancelled (for exceptions see para 11 below).<sup>13</sup> If an RSF arrangement is accompanied by more than one qualifying UCT-quality instrument (for example, when a member is availing of Fund financing by blending GRA and PRGT resources) and one of the UCT-quality instruments expires, terminates or is cancelled, the RSF arrangement may continue, at the request of the member, as long as it is accompanied by at least one qualifying UCT-quality instrument.<sup>14</sup>

**11. The duration of the concurrent UCT-quality instrument may be extended to allow a member to qualify for an RSF arrangement, provided such an extension is consistent with the decisions and policies governing the UCT-quality instrument.** If fewer than 18 months remain in the concurrent UCT-quality instrument, the member may request its extension in the Letter of Intent (LOI). Country teams should carefully review the requirements under the relevant UCT-quality instrument<sup>15</sup> and seek early guidance from LEG and SPR. A member's request for extension cannot be approved on the basis of the RSF financing request alone; country teams should support it with considerations related to the UCT-quality instrument, for example because more time is needed to complete the – possibly expanded – set of UCT-quality instrument reforms.<sup>16</sup> Alternatively, the authorities can cancel the ongoing UCT-quality instrument and request a new UCT-quality instrument of at least 18 months together with a request for approval of an RSF arrangement.<sup>17</sup> The

---

<sup>11</sup> Given the ex-ante qualifications underpinning an FCL arrangement and the absence of regular ex-post reviews, an RSF request could be made outside of an FCL arrangement request provided the FCL residual duration is at least 18 months. One RSF review, however, should coincide with the mid-term FCL review; other RSF arrangement reviews could be stand-alone.

<sup>12</sup> If the RSF continues from one UCT-quality instrument to another (¶11), an RSF arrangement review can also be completed upon Board approval of the new qualifying UCT-quality instrument.

<sup>13</sup> As with other Fund arrangements, the RSF arrangement would also automatically terminate at the time when all financing available under the arrangement has been disbursed.

<sup>14</sup> In terms of financial operations and recording of linkages of RSF arrangements to UCT-quality instruments, where an RSF arrangement continues and spans successive UCT-quality instruments, only the active and current linkage would be shown in reports.

<sup>15</sup> Extension of the concurrent UCT-quality instrument would normally warrant adding one or more reviews. For disbursing arrangements, an “empty review”, i.e., a review without an associated purchase/disbursement, is not possible, and the extension would need to be accompanied by the inclusion of additional test dates with associated disbursements/purchases. Hence, either rephrasing (or augmentation if warranted) would be required to facilitate the extension in most cases. Additional instrument specific constraints may also apply.

<sup>16</sup> These could be Structural Benchmarks or reform commitments illustrated in the MEFP.

<sup>17</sup> Early examples include Rwanda, Seychelles (cancellation and new UCT program); and Niger, Kenya (extension).

approach chosen should account for several factors including limits on the duration of the underlying UCT-quality instrument, the appropriate UCT-quality instrument given the member's short and medium-term BoP needs, whether an extension of the member's Fund supported program is appropriate, and the member's own preferences.

**12. An RSF arrangement may continue when a country transitions from one qualifying UCT-quality instrument to another, under limited circumstances.**

An RSF arrangement automatically terminates when the concurrent UCT-quality instrument is cancelled by the authorities, is otherwise terminated (i.e., when the instrument ends before the end of its approved term) or expires. However, an RSF arrangement may continue in case of termination or cancellation of the concurrent UCT-quality instrument, at the member's request, provided that all the following criteria are met:

- The RSF arrangement must always be accompanied by a concurrent UCT-quality instrument. Therefore, a new qualifying UCT-quality instrument must be approved and effective immediately upon the termination or cancellation of the existing concurrent UCT-quality instrument (i.e., at the same Board meeting);<sup>18</sup>
- Further, the remaining period of the RSF arrangement (including taking into account any extensions), does not exceed the duration of the new UCT-quality instrument, and the minimum duration of the RSF arrangement across the two UCT-quality instruments is observed;
- The criteria for approving an RSF arrangement remain satisfied at the time of approval of the new concurrent UCT-quality instrument;
- The RMs remain generally appropriate, or are being modified as necessary, and conditions remain in place for their successful completion;<sup>19</sup>
- For all qualifying UCT-quality instruments other than FCL arrangements, the most recent review under the existing UCT-quality instrument was completed no more than 10 months prior to the date of the Executive Board approval of the new concurrent UCT-quality instrument. In addition, prior to the change in circumstances that led to the member requesting a new concurrent UCT-quality instrument, the member's performance under the program supported by the existing UCT-quality instrument was satisfactory.
- For FCL arrangements, the Executive Board must have, within the previous 12 months, either approved the FCL arrangement or, in the second year of the FCL arrangement, completed the mid-term review under the FCL arrangement.

---

<sup>18</sup> Disbursements for RMs that have already been completed and for which the availability date has passed could be disbursed upon Board approval of the new qualifying UCT-quality instrument.

<sup>19</sup> This may require an extension of the RSF arrangement, rephasing and other design changes, consistent with all the applicable rules (e.g. RST disbursements continue to be limited to 50 percent of quota per review).

**13. RSF financing must be additional to—and not substitute for—other IMF financing.** The RSF aims, in general, to address prospective *risks* to BoP stability, not present, prospective or potential BoP *needs*. The UCT-quality instrument must “stand on its own” in terms of financing and adjustment. The Financing Assurances Policy applicable to the concurrent UCT-quality program requires (i) firm commitments of financing to be in place for the upcoming 12 months, and (ii) good prospects that there will be adequate financing for the remaining program period beyond the upcoming 12 months.<sup>20</sup> This requirement remains unchanged, and RSF financing may not be used to close any financing gaps. This means that the UCT-quality instrument must be assessed as sufficient to address the financing needs expected to arise during the program period under the baseline scenario under the General Resource Account (GRA) or make “significant progress” under the ECF of the PRGT ([RST Board paper](#), ¶121 and ¶132).<sup>21</sup> The RSF can only finance BoP needs directly stemming from the implementation of RSF-supported RMs (see Box 1, ¶143). If additional BoP needs – not stemming from RSF-supported RMs – emerge during the program period, they should be addressed through augmentation of access under the UCT-quality instrument and policy adjustment, and not through RSF financing.<sup>22</sup> For example, if the member suffers an external shock—such as a natural disaster—emergency financing or an augmentation of access under the UCT-quality lending instrument could be considered. Except for FCL arrangements, a successful review of the UCT-quality instrument needs to be completed in order for RSF arrangement reviews to proceed.

**14. Presentation of RSF financing in tables in program documents should reflect the fact that the UCT-quality instrument stands on its own in terms of financing and adjustment (Annex II).**

- RSF financing should be shown below the line, along with reserves, and illustrated separately from Fund financing under the UCT-quality instrument, after closure of any exceptional financing need.<sup>23</sup>
- International reserves should be shown to remain adequate and fiscal gaps closed through the program horizon without RSF financing.

---

<sup>20</sup> For a discussion on estimating a member’s BOP financing needs, see the [Operational Guidance Note on Program Design and Conditionality](#), Box 4.

<sup>21</sup> Full financing is indirectly a requirement for all RSF disbursements because RSF reviews can generally only be completed in the context of completed reviews under the underlying UCT-quality instrument.

<sup>22</sup> Should BoP needs arise over the course of a non-disbursing UCT-quality instrument, such as a PCI, a concurrent SBA/SCF arrangement may be requested. Alternatively, the PCI could be canceled and a new UCT-quality program may be requested in its place.

<sup>23</sup> See Balance of Payments Manual (BMP) [BMP6](#), paragraphs 14.16-14.17, Table 14.1, and Annex I, paragraphs A1.1-A1.2. The analytical presentation of balance of payments statistics is used to facilitate a basic distinction between (a) reserves and closely related items and (b) other transactions.



- Any measurable impact of RSF-supported reforms on BoP or fiscal projections should be accounted for in program documents and in the macroeconomic projections.<sup>24</sup> More specifically, if there are direct costs from RMs, the additional financing gap can be financed by RSF disbursements—presented as prospective financing that is separate from other IMF financing.

### C. Member’s Capacity to Repay and Debt Sustainability

**15. Additional safeguards apply to RSF arrangements.** All Board documents for RSF financing requests and augmentations will need to include analysis and discussion of (i) an extended capacity to repay (CtR) analysis that covers the RSF repayment period, taking into account all Fund borrowing by the member; (ii) debt risk analysis over a longer time horizon (up to 20 years), and (iii) the composition of public debt, including the share of de facto senior debt.

**16. Requests for new RSF arrangements and augmentations of existing RSF arrangements require enhanced analysis of the member’s CtR.** In this regard, program documents for a new RSF arrangement or an augmentation of access under an existing RSF arrangement should include a set of standardized charts on capacity to repay (CtR “dashboard”) for the repayment period of RSF loans.<sup>25</sup> These dashboards illustrate the evolution of total projected credit outstanding to the Fund (i.e., PRGT+GRA+RST) and debt service to the Fund in relation to key economic metrics over the course of the RSF repayment period (20 years), and compare it with available data from past Fund financing arrangements. The dashboards, which are prepared by country teams in collaboration with the Finance Department (FIN), are additional to the standard CtR table, and are intended to inform the bottom-line assessment in the CtR paragraph. When financing requests would result in comparatively elevated levels of key CtR indicators, the program documents would need to examine the severity of the implied risks and explain how RSF design—including access and phasing, and the accompanying UCT-quality instrument—seeks to mitigate these risks (additional details and sample CtR paragraphs are in Annex III).<sup>26</sup> SRs completing reviews under an RSF arrangement must include a paragraph with a bottom-line CtR assessment informed by a standard CtR table with the CtR dashboard being optional (¶163).

**17. Debt must be assessed as sustainable over the medium term for staff to recommend and the Board to approve a new RSF request, augmentation of access, and completion of reviews under RSF arrangements.** Teams should conduct a rigorous debt sustainability assessment using established analytical and policy frameworks—Low-Income Country (LIC) Debt Sustainability

---

<sup>24</sup> RSF-supported reforms may raise actual or prospective BoP needs, for instance through upfront fiscal costs or by generating higher imports. They could also lower BoP needs, such as a fuel subsidy reform. Lower BoP needs as a result of strong climate reforms should not be considered a factor for lowering RSF access levels.

<sup>25</sup> The policy, including the metrics, is broadly based on the Enhanced Safeguards (ES) on CtR for the PRGT, and is applied to all member countries with RSF arrangements. “Strengthened Policy Safeguards” were introduced in 2024 by consolidating the High Access Procedures and Enhanced Safeguards and resetting the triggers – see 2024 Review of the Poverty Reduction and Growth Trust Facilities and Financing — Reform Proposals.

<sup>26</sup> See [Proposal To Establish A Resilience and Sustainability Trust \(imf.org\)](https://www.imf.org/en/Proposals/2024/01/24/2024-01-24-Resilience-and-Sustainability-Trust).



Framework (DSF) and Market Access Country (MAC) Sovereign Risk and Debt Sustainability Framework (SRDSF).<sup>27</sup> They should include the natural disaster stress test if applicable,<sup>28</sup> and cover long-term risks by including the entire 20-year horizon in the LIC DSA and the long-term modules in the MAC SRDSF (unless better alternative estimates are available) on long-term amortizations, demographic developments (including their impact on health and pension-related expenditures), and climate change (including mitigation and adaptation expenses). Country teams for LICs and MACs are expected to make full use of the tools, flexibility and possibility to customize of existing frameworks to discuss: (i) the adverse effects of climate change on debt sustainability; and/or (ii) the potential costs and benefits of climate action; and where applicable (e.g., hydro-carbon exporters) (iii) the debt sustainability implications of global decarbonization efforts. The use of alternative scenarios, and early consultation with the WB for LIC-DSF climate-related discussions, are encouraged.<sup>29</sup> The discussion of debt sustainability, including climate-related macro developments and risks, should be included in the main text of Policy Notes (PN) and SRs as well as in the DSA annex (Annex IV).

## RSF ARRANGEMENT DESIGN

*RSF arrangements should support a high-quality package of reform measures that enable significant progress towards strengthening the member's prospective BoP stability by reducing macro-critical risks associated with qualifying longer-term structural challenges. RMs should be grounded in solid diagnostics of vulnerabilities (Section A) and an assessment of the risks to prospective BoP stability (Section B), be fully owned by the authorities, and enable critical, deep and ambitious reforms (Section C). Access to RSF financing is guided by a norm and disbursements are phased with each RM linked to one disbursement (Section D).*

### A. Identifying Vulnerabilities Associated with Qualifying Challenges

**18. The assessment of the qualifying longer-term structural challenges needs to be underpinned by diagnostics, which can come from a variety of external and/or internal sources.** No single diagnostic is mandatory for designing an RSF arrangement, but the set of diagnostics used for the RSF preparation should be collectively strong enough to comprehensively assess the qualifying longer-term structural challenges that the RSF arrangement aims to address.

<sup>27</sup> The LIC DSF and MAC SRDSF staff guidance notes specify when such assessment requires running an updated DSA and when the assessment can be done on the basis of a recent DSA.

<sup>28</sup> According to LIC DSF and MAC SRDSF staff guidance, all small states vulnerable to natural disasters and countries that meet the frequency criteria (2 natural disasters in a 3-year window) and economic loss criteria (above 5 percent of Gross Domestic Product (GDP)), are required to run a natural disaster stress test.

<sup>29</sup> Good examples include: (i) [the Dominican Republic 2023 Article IV consultation](#), which includes a customized scenario where nominal depreciation is higher than the baseline and the cost of adaptation is calibrated to country specific investments; and (ii) the [Costa Rica Third Review Under the Extended Arrangement Under the Extended Fund Facility, Request for an Arrangement Under the Resilience and Sustainability Facility](#), which uses a scenario based on a customized baseline.

When designing an RSF arrangement, teams are encouraged to use the following analytical products, when available:

- **Climate change diagnostics** such as the IMF’s Climate Policy Diagnostic (CPD), and Climate Public Investment Management Assessment (C-PIMA) and the WBG’s Country Climate and Development Report (CCDR) and [Climate Change Knowledge Portal](#) (Box 2).
- **Pandemic preparedness-related diagnostics** such as Universal Health and Preparedness Reviews (UHPR), State Party Annual Reports (SPARs), Joint External Evaluations (JEEs),<sup>30</sup> National Action Plans for Public Health Security (NAPHS), WB Pandemic Preparedness Assessments and Public Expenditure Reviews, Health Financing Progress Matrix Assessments (HFPM), National Health Accounts (NHA), and reports from regional health agencies.
- **Fund surveillance and capacity development products** such as Article IV and Selected Issues papers, the Financial Sector Assessment Program (FSAP), as well as other Fund analytical and capacity development work, such as Fiscal Transparency Evaluations and Fiscal Safeguards Reviews, that all could inform RM design. Attention should also be given to Governance Assessments, as poor governance and corruption could hinder implementation of both the UCT-quality program and RSF-supported reforms (Annex VI).
- **Authorities’ own diagnostics and plans** are an equally critical input. Country teams should take stock of existing domestic studies and national-level plans, as well as costed investment plans, and discuss the underlying assumptions with the authorities and other partners.

**19. Additional diagnostics and quality control.** The above list is non-exhaustive, and teams are encouraged to consider additional available country-specific information, including feasibility relative to political economy and capacity considerations. All diagnostics should meet minimum quality standards in terms of analytical soundness, objectiveness, and realism; they should be grounded in empirical evidence when possible. Diagnostics should come from reputable sources, including international organizations and other official development partners (e.g., Regional Development Banks, and other multilateral institutions), peer-reviewed published research articles and other sources of comparable quality. Whenever possible, RSF arrangements should rely on findings validated by multiple independent diagnostics.

**20. Support from IMF Functional Departments (FD).** FDs can support country teams in assessing and/or supplementing diagnostics (Box 2; 183–86). Where high-quality assessment of external diagnostics is outside of Fund expertise, teams should seek to discuss it with the WB. When existing diagnostics are incomplete or missing, or more targeted assessments on specific issues are

---

<sup>30</sup> JEEs consolidate the World Health Organization’s (WHO) International Health Regulations (IHR) Monitoring and Evaluation Framework with the Global Health Security Agenda (GHSA) country assessment, providing an objective, voluntary, peer-to-peer, and multi-sectoral assessment of a country’s health security preparedness and response capacity across 19 IHR areas. The JEE is divided into 4 areas: (i) prevention; (ii) detection; (iii) response; and (iv) other hazards, with indicators rated on a score of 1 (no capacity) to 5 (sustainable capacity).

needed, the Fiscal Affairs Department (FAD) can provide guidance on identifying alternative climate documents and/or appropriate diagnostics to be undertaken, such as a brief country-specific overview of key climate issues and cross-country comparisons. The Monetary and Capital Markets Department (MCM) can help country teams identify key challenges to private green investments along with key climate-related financial risks and design appropriate steps to address them. The Legal Department (LEG) can support development of legal frameworks in line with best practices together with MCM (relating to, for example, central banking, financial sector oversight) or FAD (relating to, for example, Public Financial Management (PFM), C-PIMA and tax). STA can support the development of climate statistics. In parallel, FAD, the Institute for Capacity Development Department (ICD) and the Research Department (RES) can help with the modeling of the macroeconomic implications of various climate policies.

### Box 2. Useful Resources to Inform Climate-Related RSF Design

#### Key Country Diagnostics Include:

- [CPD](#) (IMF). The IMF's Climate Policy Diagnostics (CPD) is a broad climate policy diagnostic that FAD is rolling out to support RSF requests and inform the design of reform measures through a tailored diagnostic focusing on key macro fiscal issues.<sup>1</sup> The CPD covers mitigation, adaptation, policies as well as enabling institutions, including by applying Climate Policy Assessment Tool (CPAT), which helps to assess, design, and implement climate mitigation policies. An IMF assessment needs to be requested by the country authorities. FAD (with other functional departments where relevant) conducts the country-specific assessment.
- [C-PIMA](#) (IMF). The C-PIMA provides an assessment of a country's strengths and weaknesses related to the integration of climate considerations into PIM. It also provides a set of recommendations in the form of a sequenced and prioritized action plan that can support the implementation of green and resilient infrastructure. An IMF assessment needs to be requested by the country authorities; FAD then develops the country-specific assessment.

**Diagnostics And Tools from Development Partners And Other Stakeholders:** To help identify key climate challenges and inform RSF design, staff should actively seek existing, specialized expertise from development partners and other stakeholders. This includes, among others:

- [CCDR](#) (WB, ongoing roll-out across IBRD/IDA countries). The CCDR is a core diagnostic report that integrates climate change and development considerations. CCDRs help countries identify key challenges and prioritize the most impactful actions to reduce greenhouse gas (GHG) emissions and boost adaptation, while delivering on broader development goals.
- The WB's [Climate Change Institutional Assessment](#) (CCIA) identifies strengths and weaknesses of the country's institutional framework for managing climate change challenges.
- Climate [Public Expenditure and Financial Accountability](#) (PEFA) (WB, European Union (EU)). The Climate PEFA, broadly equivalent to the C-PIMA, assesses climate responsive public financial management by evaluating to what extent a country's PFM system is ready to support and foster the implementation of government climate change policies, i.e., is "climate responsive."
- [Climate Change Knowledge Portal](#) (WB). The portal provides a rich set of climate-related risk profiles for many countries.

**Box 2. Useful Resources to Inform Climate-Related RSF Design (Concluded)**

**Additional Resources Available at the IMF.** Analysis related to the impact of climate change on macroeconomic and financial stability, covering adaptation, mitigation, and transition issues can be found in IMF working papers, staff climate notes, staff discussion notes, surveillance country documents, departmental papers, and regional and flagship publications. Many are published in the [IMF climate change topics website](#). Within the IMF, ICD and SPR, in collaboration with FAD and RES, organize a Community of Practice on Climate Models and Macroframeworks which brings together economists from area and functional departments to facilitate the exchange of ideas, approaches and experiences about available tools and best practices ([intranet link for IMF staff](#)). The Fund's [Climate Change Indicators Dashboard](#) contains useful climate-related data for macroeconomic and financial stability analysis.

<sup>1</sup> For example, CPDs have been completed for Kenya, Jordan, Cabo Verde and Mauritania, among others.

**B. Assessing Prospective Balance of Payments Stability Risks**

**21. Risks to prospective BoP stability stemming from qualifying longer-term structural challenges can be difficult to assess.** The diagnostic tools listed in Section A, combined with other Fund tools, including the DSA framework and models like the Debt-Investment-Growth and Natural Disasters (DIGNAD) (Box 3), can inform the discussion of the associated risks and of the longer-term macroeconomic outlook. Existing climate strategy or pandemic preparedness-costing exercises may be referenced in the SR but should be carefully vetted and evaluated against staff's own analysis.

**22. Program documents should discuss the longer-term macroeconomic outlook, while acknowledging uncertainties.** In justifying a request for an RSF arrangement, teams should strive to (i) illustrate and quantify macro-critical risks to prospective BoP stability associated with qualifying challenges in the narrative of the macroeconomic framework and the DSA<sup>31</sup> to the extent possible and (ii) provide an illustration of the benefit of the RSF arrangement where feasible (e.g., by demonstrating how the RSF arrangement helps address those challenges to mitigate risks). Moreover, when the RSF is used to substitute for more expensive financing, teams can quantify how much debt service is saved by the cheaper terms of the RSF financing compared to alternative sources of financing. Staff should explicitly acknowledge the uncertainty that comes with attempting to quantify the costs of uncertain long-term events and the long-term benefits of proposed RMs (see Box 3 and Annex IV).

---

<sup>31</sup> This paragraph and Box 3 provide guidance on how the DSA framework can inform the macro-economic narrative underlying the RSF arrangement. They are not meant to augment or substitute DSA requirements for country teams, which are spelled out in Annex IV.

### Box 3. Providing a Macroeconomic Justification for RSF Arrangements

**New tools developed at the IMF can help country teams quantify the macroeconomic impact of climate change and climate policies.** For example, the DIGNAD model allows staff to quantify the effect of natural disasters in small open economies and the benefits of investing in resilient infrastructure, increasing fiscal buffers, and improving public investment efficiency.<sup>1</sup> Staff may also rely on DIGNAD to substantiate the assumptions underpinning the macroeconomic projections and stress-test parameters in the DSA. The fiscal risks posed by slow-moving climate change effects can be assessed with [Q-CRAFT](#). Developed jointly by the IMF and the WB, the [Climate Policy Assessment Tool](#) (CPAT) is a spreadsheet-based model which helps policymakers to assess, design, and implement climate mitigation policies. Policies covered include carbon pricing (carbon taxes and ETSs), fossil fuel subsidy reform, energy price liberalization, electricity and fuel taxes, methane fees, Value-Added Tax (VAT) harmonization, energy efficiency and emission rate regulations, feebates, renewable subsidies and feed-in tariffs, green public investments, and combinations of these policies. For general equilibrium analysis, the IMF-ENV model can be used to simulate the emissions and macroeconomic impacts of climate mitigation policies (including those listed above) and transition scenarios. Use of the model requires support from RES.<sup>2</sup>

**Leveraging Debt Sustainability Frameworks** (¶15, Annex IV). Both the LIC-DSF and MAC-SRDSF frameworks allow staff to quantify risks to debt sustainability associated with the qualifying structural challenges. Tailored stress tests for natural disasters can be used to illustrate the risks to debt sustainability associated with climate events over the medium-term. Alternative scenarios can show the cost of inaction and highlight how climate change-related policies and financing, including those linked to RSF arrangements, impact recipient countries' debt sustainability. For instance, higher investment spending can raise growth or limit the long-term costs of climate change, and RST funds can substitute more expensive financing.

**Presenting a unified macro narrative.** Teams are expected to present a consistent macroeconomic narrative, describing the risks from climate change, the endogenous interactions among policy actions, and the debt implications rather than presenting only a stand-alone application of an individual model. Different models can produce different results depending on the methodology and assumptions used, therefore teams should provide appropriate caveats when presenting model results.

**Sample cases.** Despite model limitations and uncertainties associated with the quantification of longer-term risks, these tools can help illustrate potential BoP risks and help provide a justification for an RSF arrangement. For example, the DIGNAD model applied to the cases of Bangladesh and Rwanda (CR [23/66](#) and [22/381](#)) shows substantial benefits from scaling-up climate-resilient infrastructure and improving the efficiency of public investment: real GDP and public debt become more resilient to natural disasters. In Bangladesh, the DSA showed that additional climate investments financed by RSF disbursements would reduce the present value of debt by substituting for more expensive financing. In Kenya (CR [23/266](#)), the DSA illustrates the economic and fiscal impact of climate change and how the RSF-supported reforms help limit risks to debt sustainability.

<sup>1</sup>For more details on the DIGNAD model, see [Marto, Papageorgiou and Klyuev \(2018\)](#) (also [IMF WP 2017/223](#)) and [Aligshiev, Ruane and Sultanov \(2023\)](#).

<sup>2</sup>For more detail on the IMF-ENV model, see [Economic and Environmental Benefits from International Cooperation on Climate Policies \(imf.org\)](#) and "IMF-ENV: Integrating Climate, Energy, and Trade Policies in a General Equilibrium Framework," IMF Working Paper, January 2025.

## C. Designing a High-Quality Package of Reforms

**23. In designing RSF conditionality, teams should focus on reforms that help a member make significant progress towards strengthening prospective BoP stability, rather than resolve current BoP problems.** RSF conditionality is embodied in RMs. RMs may be a single policy action or a set of closely related policy actions. All proposed RMs, taken together, form a package. This package needs to be “high quality” for the member to qualify for an RSF arrangement (RST Paper, ¶139). Certain Principles Underlying the Guidelines of Conditionality (Board Paper, ¶152) should guide the design of single RMs and reform packages: national ownership, tailoring of reforms to member’s circumstances, clarity in their specification, and effective coordination with other multilateral institutions (see RST Instrument, Section II, paragraph 1 (b)(13)). The following paragraphs build on these principles as elaborated in the Revised Staff Statement on Principles Underlying the Guidelines on Conditionality.<sup>32</sup>

**24. A high-quality package of reforms is one which:**

- Reduces macro-critical risks from qualifying longer-term structural challenges, thereby helping the member make significant progress towards strengthening prospective BoP stability;
- Consists of RMs that are critical, ambitious, and deep (for brevity, meeting the three criteria together would characterize RMs as “strong”), as outlined in ¶128. Normally, each individual RMs should meet this standard, except in limited and well-justified cases, as outlined in ¶129. Annex V provides an illustrative list of potentially strong climate RMs, and Annex VIII provides an illustrative list of potentially strong pandemic preparedness RMs.

**25. The link between the reduction of risks/addressing the challenges and the implementation of the RMs (and the package as a whole) should be clearly established,** referencing high-quality diagnostics. RMs should support the country’s efforts towards achieving or surpassing its international climate and pandemic preparedness commitments, such as Nationally Determined Contribution (NDC) goals and National Action Plans for Public Health Security (NAPHS). The quantification of the impact of individual RMs may be possible in some cases but, in any event, teams are expected to present a strong qualitative case for how the set of RMs taken together meets this standard.

**26. Operationally, teams are advised to take a sequential approach, starting with solid diagnostics.** RSF requests should be supported by high-quality country diagnostics (¶118-19, Box 2), including, where feasible, benchmarking to countries in similar circumstances. These would enable determining the desired scope of the package in terms of the reform areas that could be supported by the RSF, and the steps desired to achieve the authorities’ objectives given country circumstances. Then efforts should turn towards the design of specific RMs, including their tailoring and sequencing

---

<sup>32</sup> This section also builds on some of the definitions developed for the 2011 and [2018](#) Reviews of Conditionality (RoC), to the extent they can provide useful guidance for the design of RSF reform measures.



to the country's challenges and priorities, implementation capacity and institutional environment, in line with diagnostics while ensuring that the establishment (and, later, assessment) of RMs remains even-handed across countries.<sup>33</sup> Teams should also keep in mind that RSF RMs may be interlinked also across different reform areas.<sup>34</sup> Finally, the whole set of RMs should be evaluated as a package against the minimum standard for RSF qualification ("high quality") and potentially higher access levels ("exceptionally high quality").

**27. Where a member requesting an RSF arrangement has in place policies that can contradict the member's proposed RMs, staff should not recommend the approval of an RSF arrangement; RSF reviews may also be impacted if such policies are introduced later.**

- **RSF requests.** The impact of a member's proposed RM package could be compromised if there are conflicting policies that call into question the credibility of efforts to address the longer-term challenges (e.g., destruction of primary forests, fossil fuel exploration in protected areas).<sup>35</sup> In these situations, the member's policy package may be ineffective and discussions related to the RSF arrangement should not move forward until the inconsistent policies are resolved.
- **RSF reviews.** Such other policies, if introduced by a member with an existing arrangement, will not preclude the Executive Board completion of the review under the RSF arrangement, unless the impact of the policies is such that the strength of the RMs to be assessed at the review is diminished (i.e., criticality, ambition, and/or depth). Also, the other policies may, at the time of the review, be considered such that the quality of the package of RMs is no longer expected to help the member make significant progress towards strengthening its prospective BOP stability. In such cases, a modification of the remaining RMs should be proposed, as appropriate, to restore the overall quality of the reform package and/or resolve the inconsistent policies. A discussion on how the contradicting policies would impact the assessment of the RM and the RSF reform package, and a justification for staff's recommendation, would be required in the staff report.<sup>36</sup>

---

<sup>33</sup> Evenhandedness does not require that member countries be treated identically—but, rather, that countries in similar circumstances be treated similarly. This inevitably requires judgment because country circumstances vary (2018 RoC, ¶158). In this context, sound diagnostics are critical to inform staff's judgement.

<sup>34</sup> For example, in the Tanzania RSF, the integration of information on climate related natural disasters into PIM (PFM related reform), land-use planning (adaptation related reform), and financial sector risk management (financial sector reform) necessitate the availability of disaster risk information (governance related reform), e.g., in the form of vulnerability maps. In Moldova, the coordination of natural disaster risk management (DRM) across different sectors (DRM reform) requires that an institutional framework is put in place creating an authority that has the leverage to bring various sectors together (climate governance related reform).

<sup>35</sup> Fossil fuel or mining concessions are not necessarily counter to RSF objectives, provided they are designed following good international environmental safety practices and carried out outside vulnerable or protected areas. RSF conditionality can help ensure the enforcement of the highest possible environmental standards on new and ongoing extractive projects.

<sup>36</sup> As an illustrative example, a member has committed to change energy sector regulations in two steps: RM1 to prepare a plan for the change, to be followed by RM2 implementing the change itself. With the arrangement in

(continued)

## Formulating RMs

**28. Strong RMs should be critical, ambitious, and deep.**<sup>37</sup> These reform features also help enhance synergies with other partners and further attract concessional and non-concessional finance.

- **Criticality.** RSF conditionality should only support reforms that are key (or “critical”) to reducing risks to prospective BoP stability stemming from the qualifying longer-term structural challenges. RMs should embody actions to close critical policy, legal, data and institutional gaps in the implementation of the national climate and pandemic preparedness objectives. The types of reforms that are critical will depend on country circumstances such as specific climate and pandemic vulnerabilities, income level, or institutional capacity.<sup>38</sup>
- **Ambition.** RMs should be reforms that would be unachievable within the same timelines in the absence of an RSF arrangement. The PN/SR should make the case for why RMs are ambitious in terms of reducing prospective BoP stability risks, given a country’s context (including, where possible, through benchmarking against peers). For instance, an ambitious carbon pricing reform (i.e., carbon taxes) should include a higher proposed price path (initial price and target price to be reached in X number of years) and/or wider sectoral coverage compared to the country’s baseline and countries facing similar circumstances. Ambitious energy subsidy reform would include a schedule for permanently phasing out subsidies and the implementation of at least the first stages of the phase out. Similarly, ambitious climate adaptation measures may include economy-wide reforms or measures to substantially reduce disaster risks, such as flood defense regulations applicable to all relevant areas. While seeking ambition in the RM design, country ownership should be preserved to reduce the risk of reversal.<sup>39</sup>

---

place, the member clearly states that it will not implement RM2, but RM1 is implemented. At the RSF review, staff may assess that RM1 is no longer a critical reform (as the plan on its own would not be key to reducing macro-critical risks associated with climate) so may not recommend that the Board approves the RSF disbursement linked to its completion. Similarly, if a member with the RSF arrangement in place meets an RM on paper but adopts policies that undermine its impact, the ambition (and possibly depth) of the RM would be altered, and staff may recommend not approving the disbursement associated with that RM, and propose a modification of the RSF-supported reform package to factor in (or reverse) the other policies.

<sup>37</sup> The criteria build on the methodology of the 2011 RoC and the IEO 2008 report which provide very useful guidance for how to design structural reforms, which are at the core of an RSF: depth is defined as the degree and durability of Structural Conditions (SCs), with measures separated into high-, medium-, and low-depth categories; and volume is defined as the number of conditions per program year. As a further insight into the criticality of SCs, the following is considered: (i) the consistency of SCs with program objectives; and (ii) the structural policy gaps identified in surveillance. While criticality in the context of a UCT program is assessed to against the objective of helping a member resolve its BoP problems, the focus in the RST is on helping to reduce the risks to prospective BoP stability (2018 RoC).

<sup>38</sup> For a detailed discussion of macro-criticality, see [Guidance Note for Surveillance under Article IV Consultations](#).

<sup>39</sup> The authorities’ climate policy track record can serve as a proxy of the authorities’ overall commitment to tackling climate change challenges. Where applicable, a track record of UCT-quality engagement can further inform country teams’ broader assessment of the authorities’ ownership and commitment to deep reforms.



- **Depth.** RMs should pursue *high-depth reforms*, i.e., “reforms that lead to permanent institutional changes, such as by involving legislative changes (parliamentary approval), or conditions with long-lasting impact” (2018 RoC, Appendix II, ¶12). *Medium-depth* reforms that “lead to a significant change but are one-off in nature (e.g., a one-time change in tariff rates as opposed to institutionalizing an automatic tariff adjustment mechanism)” may be assessed as strong if deemed to be critical and sufficiently ambitious. Alignment with existing legal frameworks and ongoing or proposed reforms, clear regulations and their effective implementation are also important to ensure RMs achieve their intended impact.

**29. Reforms that do not meet the above standards should generally not be considered as RMs.** These can be appropriately mentioned as commitments in the MEFP/PS.<sup>40</sup> Examples include: (i) developing plans/strategies that are either narrow in focus or lack clear implementation milestones, (ii) conducting research, technical and feasibility studies;<sup>41</sup> or (iii) providing training or conducting communication campaigns to facilitate reforms. This exclusion is in line with the requirement that low-depth reforms should generally not be RMs (¶128). Other considerations, such as co-benefits beyond climate (e.g., access to electricity or reduced inequality) and pandemic preparedness (e.g. general health system resilience or improved primary care), are not sufficient to justify RMs diverging from the standard described above but could justify the prioritization of certain reforms.<sup>42</sup>

**30. RMs should be designed so that they can be independently monitored and verified by IMF staff and assessed by the Executive Board.** Teams should draft the RMs as specifically and clearly as possible, identifying responsible entities (e.g., Ministry of Finance (MOF), Parliament, energy regulator), specific actions to be undertaken for the RM to be evaluated as completed (e.g. enactment of legislation, publication/enactment of regulations, codes, etc.), and the targeted completion date (¶161).<sup>43</sup>

**31. Policy Notes/Staff reports should specify expected outcomes of each RM.** They should outline what specific changes an RM’s implementation is expected to bring about. This could include specific metrics or benchmarks where relevant, along with expected timelines.<sup>44</sup> While this will not be possible for all types of RMs, providing clear expected outcomes will facilitate ongoing

---

<sup>40</sup> Plans/strategies that also contribute to the objectives of the concurrent UCT quality-program could be included as structural benchmarks under the UCT-quality program.

<sup>41</sup> This does not apply to *climate smart feasibility studies for public investment projects*, which have been and could be part of climate-smart PIM-related RSF-supported RMs.

<sup>42</sup> The case of Mauritania offers one good example of reconciling strong RMs with analysis from other workstreams (i.e., the gender co-benefits of climate reforms).

<sup>43</sup> Normally, the completion date of the legislative or other measures to be undertaken to consider the RM completed should match the implementation date of the entire reform. However, when the recommended timeline for certain reforms (e.g., complex electricity sector reforms to enable renewables) goes beyond the RSF horizon, the RM should include a clear indication (enshrined in applicable legislation) of the timeline for full reform implementation.

<sup>44</sup> For example, “full phaseout of fossil fuels and compensatory mechanism providing social assistance to the 40 percent most vulnerable population by end-March 2025.”

monitoring and could be used to bolster the case for reforms being critical and ambitious (¶128). Encouraging the production and sharing of relevant data (including via the MEFP) can support the monitoring of RM implementation.

**32. Use of MEFP/TMU.** Where details are too long to be included in the main formulation of an RM (e.g. specific laws to be changed, or parameters to be followed to consider the RM implemented), they should be described in the Memorandum of Economic and Financial Policies and/or the Technical Memorandum of Understanding (TMU) (see [Kosovo](#) example).

### Assembling a High-Quality Reform Package

**33. The package of RMs should be tailored to country circumstances and aligned with the member’s implementation capacity.** Reform packages (and individual RMs) should take into account the country’s institutional environment, as well as implementation capacity. The sequencing of reforms is crucial, especially in Fragile and Conflict-Affected States (FCS), Small Developing States (SDS), and Low-Income and Developing Countries (LIDCs), where capacity is often severely constrained and extensive reforms may already be underway, including under the UCT-quality instrument. In these cases, a more gradual approach may be needed (Box 4; see also SDS Guidance Note, ¶179). If the country requires technical assistance (TA) for designing and/or implementing a reform, the RSF design should allow sufficient time for the IMF and other partners to provide the needed TA during the arrangement.

**34. All RMs in a high-quality package should be critical, with no exceptions. Exceptions to the criteria of ambition and depth should be very limited and well justified.** There can be no exception to the ‘criticality’ standard described above. In certain, well-justified circumstances, some less ambitious<sup>45</sup> or low-depth reforms<sup>46</sup> could be included as RMs within a high-quality reform package, if they are necessary to support other deep and ambitious RMs. This may happen in circumstances where some of the member’s policies are not fully detailed at the start of the RSF arrangement (e.g., in certain areas, CD is required first), political economy considerations suggest taking a step-wise approach to certain highly ambitious reforms, or countries need to first strengthen their coordination and implementation capacity (see also Box 4). If there are less ambitious/low depth RMs that are contributing to a broader reform,<sup>47</sup> the expectation would be for a full implementation or broad rollout of the completed reform during the period of the RSF arrangement.<sup>48</sup> In such cases, the team must show that significant progress towards reducing

---

<sup>45</sup> There may be cases where policy actions take the form of a set of closely related RMs. In such cases, one or more individual RMs in that reform area may have limited ambition if taken individually.

<sup>46</sup> Examples of low-depth reforms include the drafting of time-bound plans or the development of costed strategies.

<sup>47</sup> For example, climate PFM reforms could be initially applied to specific sectors or investment projects above a certain value. Energy pricing reforms may include the adoption of a target price and initial incremental step change; other reforms may be introduced in a few priority sectors before broader rollout.

<sup>48</sup> This could be achieved either by a “sequence” of RMs or by noting the intermediate steps in the description of a single RM, whose completion would however require the full implementation of the “piloted” reforms.

longer-term BoP stability risks can be achieved through other RMs enabled by these low-depth RMs. Program documentation should clearly explain: (i) why, even if an individual RM does not meet the standard of “strong” (¶28), it is instrumental to achieve the RSF’s objectives in an identified reform area when assessed together with the other related RMs; and (ii) how the RMs, taken together, are sufficiently strong such that the overall package of reforms is assessed to be of high quality. However, the inclusion of less ambitious or deep RMs would impact access level discussions (¶43).

**35. Reform packages addressing more than one qualifying challenge.** Reform packages can address more than one qualifying challenge. If that is the case, the quality of the package will be assessed against its contribution towards addressing both challenges (i.e., high-quality packages cannot have a low-quality component related to climate change and a high-quality component related to pandemic preparedness, or vice versa; both components need to be high-quality as detailed above).

#### Box 4. RSF Conditionality for FCS and Small Developing States

**Many FCS and SDS are disproportionately affected by climate change and pandemics.** Vulnerabilities that stem from geographic location and dependence on agriculture, among others, are aggravated in these countries by climate change. Similarly, inadequate urban infrastructure and limited access to clean water, sanitation and hygiene (especially in FCS) increase vulnerability to pandemics. In FCS, fragility and conflict often interact with, and are exacerbated by, these structural challenges.<sup>1</sup> SDS are disproportionately affected by climate change, including through more frequent and intense natural disasters and gradual effects such as rising sea levels.<sup>2</sup> Consequently, these types of countries face much larger economic costs from climate change and pandemics and have limited capacity and room for policy responses, making the RSF particularly relevant for building resilience.<sup>3</sup>

**Particular attention to the design of RMs is needed for FCS and SDS given significant capacity constraints.** Where possible, country teams should build on the analysis carried out in the Country Engagement Strategy. Parsimonious use of conditionality and careful prioritization of reforms that address the key climate/pandemic preparedness challenges is even more important than in other countries. In line with the [FCS strategy](#) and the staff [guidance note on SDS](#), solid preparation involving close coordination with other stakeholders and comprehensive diagnostics would be especially important. Intermediate steps (often requiring Capacity Development (CD) support) may be formulated as RMs on condition that they are properly sequenced, tailored to the country’s needs and absorptive capacity, and aligned to a broader engagement strategy that delivers sufficiently strong reforms within the duration of the RSF.<sup>4</sup> However, as with other countries, the inclusion of weak reforms (i.e., reforms that would be assessed as low-depth or low-ambition, even after taking country circumstances into account) would inform access discussions (see Section D below). The climate annex should include greater detail to help prioritize and sequence reforms. Moreover, access needs to be carefully calibrated (e.g., backloaded to reflect the additional time needed to complete the full reforms). Capacity Development needs should be reflected in the tentative timelines for reform implementation. Ownership, transparency, and accountability are particularly important.

<sup>1</sup> See Laura Jaramillo, Aliona Cebotari et al. (2023): “Climate Challenges in Fragile and Conflict-Affected States” IMF Staff Climate Note 2023/001, International Monetary Fund, Washington, DC.

<sup>2</sup> See [IMF \(2016\): Small States’ Resilience to Natural Disasters and Climate Change—Role for the IMF](#). International Monetary Fund, Washington, DC.

<sup>3</sup> The IMF adopted the methodology, thresholds, and criteria of the Bank’s FCS list as part of the FCS strategy approved in 2022. Among 39 countries in the [FY24 FCS List](#) (last updated July 10, 2023), 37 countries are eligible for an RSF. All 34 SDS are RSF-eligible. There are 8 RSF-eligible countries that are simultaneously categorized as FCS and SDS.

<sup>4</sup> RSF financing is contingent on the implementation of completed reforms, and not mere steps towards reforms. Incremental steps of complex reforms could be justifiable as RMs in FCS or SDS with limited capacity; they would be considered as low-depth reforms and should be part of a package of stronger RMs.

**36. Synergies with conditionality under the UCT-quality instrument.** RMs will be distinct from the conditionality under the concurrent UCT-quality instrument. Reforms that target macroeconomic stabilization should generally be part of conditionality under the UCT-quality instrument, even if they also impact the longer-term structural challenge to be addressed under the RSF arrangement.<sup>49</sup> RSF-supported RMs, including in FCS, should focus on reforms that primarily target the structural challenge(s) to be addressed by the RSF arrangement. Conditionality under the UCT-quality instrument and RSF-supported reforms should be closely aligned to leverage synergies, where relevant. For example:

- One-off changes in administered prices to reduce fuel subsidies could be part of conditionality under the UCT-quality instrument to address immediate BoP needs, while a RM under the RSF arrangement could build on this reform to accomplish a durable, significant reduction in GHG emissions.
- Reforms that deepen local capital markets in a UCT-quality program can increase the availability of private capital for climate-related investments.
- Measures to address structural governance weaknesses and corruption vulnerabilities would be best placed in the UCT-quality program linked to the RSF arrangement. However, RSF-supported RMs could also include governance and corruption measures if these are specific and critical to achieving the objectives of the RSF-supported reforms (Annex VII).

**37. While seeking synergies with other institutions is encouraged, RSF reform packages should emphasize measures in core areas of Fund expertise (Annex V).** Reform design and monitoring can be more challenging in non-core areas. For climate-related RMs, in-house Fund expertise has been growing and the CPD report, when available, will be a valuable tool to determine what reforms may require support from other institutions. For pandemic preparedness RMs, PFM is likely the only core area of expertise, as discussed in Annex VIII. In any case, teams should coordinate with multilateral institutions and development partners to explore synergies and use their expertise and comparative advantage, while still keeping the RMs within the area of Fund's expertise.<sup>50</sup> Other institutions can provide capacity development to the authorities in support of the

---

<sup>49</sup> However, some complex long-standing issues (including the ones related to the structure of and the tariff setting arrangements in the power sector) may be difficult to address unless linked to the critical reforms needed to tackle climate change-related challenges. For example, the macro-structural issues in the sector may prevent countries from moving from a high emission equilibrium to a more efficient low emission equilibrium if the environment is not conducive to private sector investment in low emission power generation infrastructure. To address this issue, structural reforms in the energy/power sector (and where relevant, the water sector) should be considered as part of critical reforms under the RSF.

<sup>50</sup> See [Operational Guidance Note on Program Design and Conditionality, January 2024, ¶141 and ¶141](#)). Recent UCT program examples of collaboration with the WB and other institutions include PLL programs in Panama and Jamaica (CR [22/276](#) and [23/105](#)), where staff's assessment of Structural Benchmarks (SBs) related to improving the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) framework are informed by the Financial Action Task Force (FATF) technical analysis; and the Madagascar ECF, where a SB required the submission to

(continued)

implementation of an RM, provided IMF staff can independently assess its eventual implementation (no cross-conditionality; ¶156).

**38. RSF arrangement design should ensure policy additionality.** RMs should: (i) spur additional reform efforts by the authorities compared to a no-RSF scenario; (ii) mitigate the risk of facility shopping by a focus that is distinct from GRA and PRGT arrangements (¶13-14); (iii) avoid duplication of conditionality with other development partners. In exceptional cases, reforms that are already planned by the authorities but facing implementation issues or long timelines for completion can also be considered as RMs as long as that will result in significant acceleration of the reform implementation.<sup>51</sup>

**39. RM packages should be parsimonious.** The quality of a reform package is not measured by the number of RMs. An RSF arrangement is not more robust if more RMs are proposed; rather, the IMF team and the government should focus on few critical reforms, with high ambition and depth (¶128).<sup>52</sup>

**40. RSF-supported reform packages would typically have a catalytic effect (¶46-52).** RMs should help lift barriers to official and private climate- and pandemic preparedness -related investment, including through specific RMs, where applicable. Most climate and pandemic preparedness objectives are not attainable without the mobilization of significant private finance. In many instances, well-designed RMs can help attract private investors, with due consideration for countries' level of financial development and market size (Annex V).

**41. PNs and SRs should connect the key longer-term structural challenges to specific RMs and summarize available diagnostics and partners' involvement.** The documents should include:

- For climate-related RSF arrangements, a climate Annex should be included in PNs and SRs of RSF requests, describing in detail climate challenges/vulnerabilities and the authorities' plans and initiatives, including key past or ongoing policy reforms and ongoing major projects. Similarly, a short note summarizing the main challenges and reform areas relevant for pandemic

---

Parliament of a new mining code in line with WB advice, on which IMF staff concurred (CR [23/239](#)). Early RSF arrangement examples include Kosovo, where the completion of one RM requires the preparation of a plan to support vulnerable consumers' energy consumption, in collaboration with the WB, and Senegal, where a RM gradually phasing out electricity subsidies is based on the results of a financial audit of the state electricity company supported by the WB. However, in all circumstances, "cross-conditionality" (linking the use of IMF resources to rules and decisions of other organizations) is disallowed (Operational Guidance Note on Program Design and Conditionality ¶142).

<sup>51</sup> Such cases should be rare and will carry significant burden of proof. Teams need to demonstrate that the reform will be accelerated significantly as a result of the RSF conditionality, that it is a necessary part of a high quality reform package (for example that it is a pre-condition for other identified reforms), and that it is key for the successful achievement of the objectives of the RSF-supported RMs.

<sup>52</sup> However, high quality reform packages would normally not target a single policy reform area, unless supported by well-documented country circumstances and diagnostics vetted by functional departments. For example, a set of RSF-supported reforms exclusively centered on PFM reforms would typically not be considered high-quality.

preparedness should be annexed to the PNs and SRs of RSF requests including proposed pandemic preparedness-related RMs. Both of the above would be required if the reforms under an RSF arrangement are linked to both climate change and pandemic preparedness.

- A reform matrix (Table 1)—complementing other documentation requirements for RSF arrangement requests (¶197-99)—should associate each RM with a diagnostic (e.g., CCDD, CPD, C-PIMA for climate; JEE, NAPHS and others for pandemic preparedness), describe whether and how CD will be delivered, and the expected outcome of the RM once implemented. The Table should also outline the role of development partners.
- The involvement of development partners in key areas not covered by the RSF-supported reforms can be summarized in a separate Table (Table 2). The purpose of this table is to illustrate synergies and complementarities with other institutions: some of the key challenges identified in the diagnostic stage may be already addressed through conditionality by development partners, and therefore there may be no need for RSF RMs in these areas (or the RMs should complement the measures already underway). The table is not meant to be an exhaustive list of all partner initiatives, only a few key ones should be highlighted.

**Table 1. Illustrative Example of a RSF Reform Measure Matrix**

KEY CHALLENGE	REFORM MEASURE	TENTATIVE DATE	DIAGNOSTIC REFERENCE	IMF CD INPUT	RM EXPECTED OUTCOME	DEVELOPMENT PARTNER ROLE
<b>LARGE AND GROWING SHARE OF ROAD VEHICLE EMISSIONS</b>	RM1. The Government enacts legislation introducing a fuel pricing formula that gradually aligns domestic to international prices over three years	July 1, 2024	WB CCDD and IMF CPD recommend a change in the legal framework to guarantee a permanent change.	Fund-provided CD support for implementation.	Institutionalizing fuel price setting, eliminating discretionary decisions. Expected to reduce road transport emissions by about 6% per year.	
	RM2. The Parliament approves legislation that introduces a vehicle feebate policy encouraging a shift in the vehicle fleet towards zero and low-emissions vehicles.	July 1, 2024	CCDD and Country Diagnostics from the Ministry of Transport		Encourage increase in the share of electric vehicles and low emissions vehicles.	IDB TA on vehicle policies and feebates design.
<b>INCREASED FREQUENCY AND INTENSITY</b>	RM3. The Ministry of Finance establishes and implements a	February 1, 2025	IMF Climate Policy Diagnostic recommends	Fund-provided CD support for policy design	Expected to jumpstart the recovery effort and	

**Table 1. Illustrative Example of a RSF Reform Measure Matrix (Concluded)**

<b>INCREASED FREQUENCY AND INTENSITY OF CLIMATE RELATED NATURAL DISASTERS (CRND)</b>	budgetary program to rapidly reallocate federal funds to the rehabilitation of public infrastructure in the event of shocks.		budgetary tools to address recurring shocks.		support GDP growth.	
<b>WATER SCARCITY</b>	RM4. The Water Authority approves regulation for more efficient water management, reforming governance of the sector, improving infrastructure management and reforming water pricing.	February 1, 2025	CCDR		Increase in available surface and/or ground water resources; increased use of drip irrigation in agriculture; reduced likelihood/severity of drought episodes.	World Bank TA.

**Table 2. Other Country and Development Partner Efforts**

KEY COUNTRY CHALLENGE	REFORM AREA NOT INCLUDED IN RSF CONDITIONALITY	DIAGNOSTIC REFERENCE	DEVELOPMENT PARTNER INVOLVEMENT
<b>CURBING DEFORESTATION AND BOOSTING AGRICULTURAL PRODUCTIVITY</b>	Ministry of Forestry approves and implements regulations to define legal modalities for managing and monitoring agroforestry concessions.	WB CCDR	WB has been involved with TA for the design of policies in the forestry sector, including for resourcing satellite monitoring. A WB Development Policy Operation (DPO) includes forestry regulations as a prior action.



## D. Determining Access Levels

**42. Access to the RST is guided by the norm of 75 percent of quota and is capped at the lower of 150 percent of quota or Special Drawing Rights (SDR) 1 billion (¶46 and 47, [RST Board paper](#)).**<sup>53</sup> The norm is neither a floor nor a cap but provides an important operational anchor for discussions about the level of access in each country case. Access at the norm would be expected for reform packages that are considered to be of “high-quality” (¶24).

**43. The following factors should be considered when determining whether deviations from access at the norm could be justified (¶47, [RST Board paper](#)) (Figure 1):**

- ***The country’s CtR.*** Adequate capacity to repay is required for all Fund financing (¶15). Thus, CtR, taking into account the member’s debt sustainability, debt carrying capacity, and composition of debt (in particular the prevalence of de facto senior obligations, especially in cases of elevated debt vulnerabilities) must be assessed to be at least “adequate” for the proposed level of access under the RSF arrangement. Access would be expected not to exceed (and could be below) the norm in case of an assessment indicating heightened CtR risks.
- ***The strength and ambition of the reform package.*** Access above the norm requires an exceptionally high-quality reform package, characterized by **deep** and **highly** ambitious RMs. (Section B).<sup>54</sup> The higher level of ambition could take the form of addressing a wider set of identified risks, fully closing one or more critical policy gaps within the duration of the RSF arrangement, or by making much more progress in addressing certain key prospective BoP stability risks. Accordingly, staff should present a clear case for how the reform package is expected to achieve these outcomes. Where feasible, quantifying the expected impact of key RMs would be helpful. As noted above, including low depth or less ambitious RMs would weaken the case for a reform package being of exceptionally high-quality. Provided CtR is adequate (see (a) above), a reform package assessed as exceptionally high-quality can qualify for access above the norm without the need to check criteria (c) below.

---

<sup>53</sup> When the Executive Board determines that the general conditions for the effectiveness of quota increases under the 16th General Quota Review (16th GQR) have been met, the access norm would be 50 percent of quota, the access cap would be 100 percent of quota, and the limit on the phasing of RST disbursement per review would be 35 percent of quota. These limits would apply to new RSF arrangements and new augmentations of access under existing RSF arrangements that are approved following the above-mentioned Executive Board determination.

<sup>54</sup> Both high-quality and exceptionally high-quality reform packages should be evaluated against country circumstances (implementation capacity, track record, support by other development partners). These circumstances should be interpreted “symmetrically” by country teams when linking reform strength to the appropriate access levels. While specific country circumstances may justify the presence of less strong reforms within a high-quality reform package in certain cases, in other cases (e.g. a large emitter, with adequate capacity and resources) they may suggest reaching understandings on stronger reforms. Also, for countries accessing the RST at the nominal cap (even if below normal access in terms of their quota), extra care should be exercised to ensure that less strong RMs are minimized and that the package can comfortably be considered of high quality.



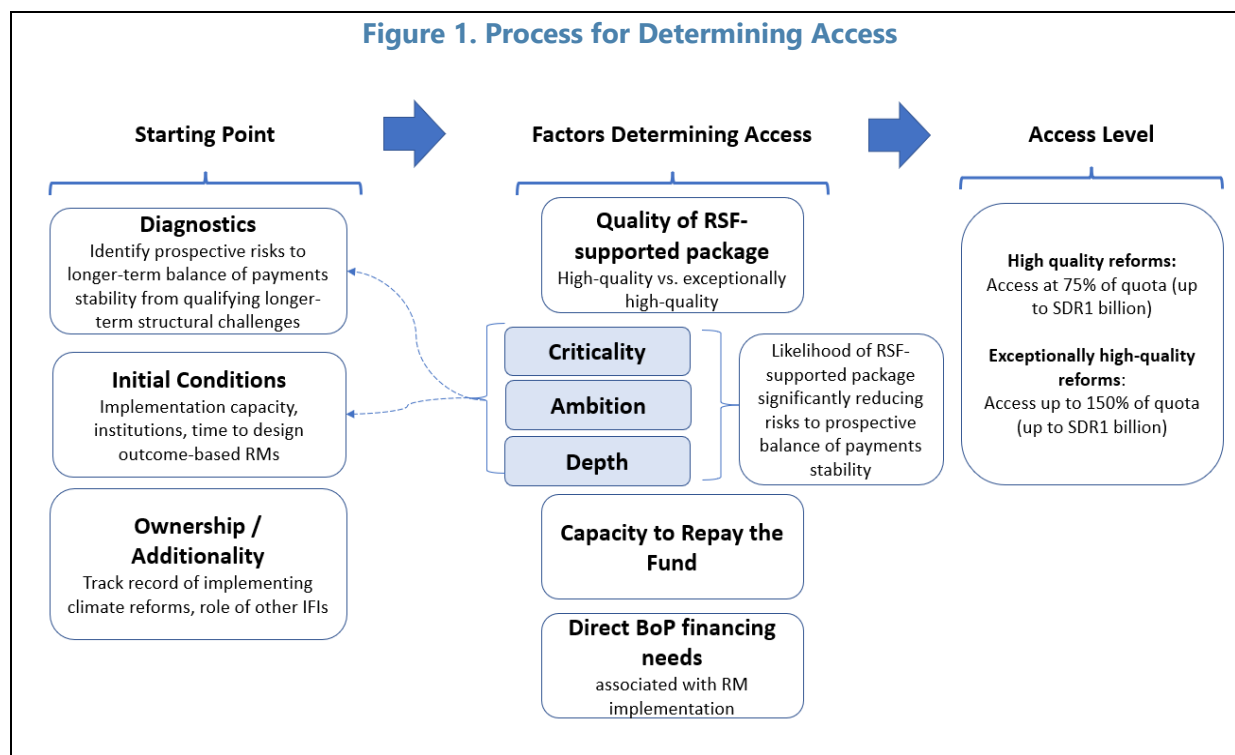
- **BoP financing needs directly associated with the RMs.** Access above the norm may also be possible in rare cases where there are current BoP needs triggered by RMs' costs, provided CtR is met and the reform package is assessed to be high quality. In such cases, the costs must be measurable, discrete, incurred during the RSF arrangement period, and included in macroeconomic projections—keeping in mind that RSF arrangements cannot earmark financing for specific projects (¶19 and Annex II). In practice, examples of these cases would be very limited; when significant, additional imports related to the expansion of solar/wind generating capacity (mitigation), costs associated with reforms to support climate-resilient infrastructure (adaptation), or increased spending to enhance the social safety net (e.g., with targeted cash transfers) to accompany the energy transition measures may qualify. Costs associated with RMs do not necessarily help build the case for access above the norm if they are not clearly defined or are uncertain, or where they would be covered by other sources (e.g., a parallel WB lending operation or by the private sector).

**44. In practice, it is expected that many access requests will be at the norm.** While deviations are possible both above and below, they need to be assessed on their own merit, taking into account the criteria outlined above (¶43). Fine-tuning such an assessment of prospective balance of payments stability implications of RSF-supported reforms may be difficult, including because of the heterogeneity of eligible country's starting point in terms of implementation capacity, past experience, and vulnerabilities.<sup>55</sup> Also, direct BoP financing needs associated with RM implementation are expected to be rare. For cases where reform packages are found to be of exceptionally high quality, access could be expected to be proposed above the norm, up to the maximum of 150 percent of quota (or SDR 1 billion, whichever is lower). However, each case should be assessed on its own merit and, given the challenges noted above, a sound justification would be needed to support a specific access level, especially if outside the norm. Teams should remain mindful that countries may request a successor RSF arrangement for any amount remaining under the cap.<sup>56</sup>

---

<sup>55</sup> RST Board paper, ¶47. See further discussion in the Interim Review of the RST and Review of Adequacy of Resources, ¶41-42.

<sup>56</sup> This approach may be especially helpful for fragile states where the institutional and governance frameworks needed to implement RSF-supported reforms are not as well developed as in other countries. In certain cases, an RSF arrangement with access below the norm could be the right path to kickstart the development of more ambitious climate policies. In any case, reform packages need to be of at least high quality regardless of access levels; functional and review departments help country teams with the design of such packages, if needed.



**45. Augmentation of access or repeated access to resources under successor RSF arrangements are both permitted, subject to the maximum access cap.** Augmentations of access under RSF arrangements may be approved in cases where the reform package is enhanced (for example, as new diagnostics become available and enable the design of additional reforms, new political impetus makes the implementation of more ambitious reforms possible, or reforms related to an additional long-term structural challenge are included).<sup>57</sup> Augmentations of access should always consider the member’s capacity to repay the Fund, taking into account debt sustainability, debt carrying capacity and composition of debt. In some cases, including because of capacity constraints, the implementation of high-quality reform packages can be better supported through two or more successive RSF arrangements—where subsequent requests complete the reform agenda, building on the reforms in the initial RSF arrangement.<sup>58</sup> In line with the considerations for initial access requests, it may be difficult to set the exact post-augmentation access levels along a continuum (see para 40). For this reason, augmentations are expected to normally bring access to the norm (for RSF arrangements with originally-approved access below the norm) or to the cap (for RSF arrangements with originally-approved access at or above the norm).

<sup>57</sup> This two-stage approach with subsequent augmentation or a successor RSF arrangement – subject to resource availability, staff agreement, and Board approval – could be considered (i) when some of the diagnostics that could underpin a stronger reform package are not available initially; (ii) when time is needed to build political capital and secure ownership for more ambitious reforms; (iii) when the authorities’ reform plans are not yet well developed and costed; or (iv) when implementation capacity constraints suggest it would take longer to implement a full set of reforms that can justify above-normal access.

<sup>58</sup> A Ctr dashboard is required for RSF augmentations.

## THE CATALYTIC ROLE OF THE RSF

**46. For most IMF members, the financing needed to address longer-term qualifying challenges cannot be met without mobilizing the private sector.** Reform synergies with other IFIs can facilitate larger official financing packages and access to climate funds. Parallel financing from official bilateral and multilateral partners (based on their projections) should be highlighted in the SR. For most countries, securing private financing is also critical, given the magnitude of climate finance needs. However, emerging markets and developing countries (EMDEs) face multiple challenges in attracting private capital. The perceived risk-return profiles may not be in line with investors' risk tolerance for countries with elevated macroeconomic, regulatory and policy uncertainty; weak governance and corruption; and limited technical capacity. Lack of high-quality comparable data needed for investment decisions, and lack of standardized environmental, social, and corporate governance (ESG) products, further reduce investors' appetite for allocating capital investments in EMDEs. Moreover, there are no robust pipelines for investable project in many EMDEs.

**47. The accompanying UCT-quality instrument provides a critical anchor for development partners and private investors.** The concurrent UCT-quality instrument buttresses macroeconomic and financial stability, which improves investor confidence. UCT-quality reforms can also include reforms that improve the quality of the overall regulatory environment, which is critical in many RSF-eligible countries. For example, reforms to strengthen financial institutions, deepen domestic financial markets, or improve the predictability of the legal and regulatory environment (e.g., the regulation of energy markets) can help attract longer-term investments by the private sector.

**48. The RSF can play a catalytic role through policy reforms, capacity development, and financing.** Staff should discuss the authorities' needs and plans to attract private finance and how they plan to boost the signaling effect of the RSF arrangement. It is important to anchor the discussions on the broader climate or pandemic preparedness strategy of the authorities, which should be as clear and specific as possible, and include a description of longer-term investment plans.<sup>59</sup> RSF arrangements can signal strong and credible policy ambition and increase clarity on longer-term policy commitments.<sup>60</sup>

**49. RSF-supported reforms could help attract additional climate finance through a number of channels:**

---

<sup>59</sup> The publication of credible, costed climate investment plans and proposed financing strategies would provide further transparency for investors.

<sup>60</sup> There is scope to leverage the private sector also for pandemic preparedness-related investments (see [The Report of the High-Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response](#), Proposal 8). The RSF arrangement's positive impact is expected mainly through signaling the authorities' policy commitments, providing regulatory clarity, and anchoring the pandemic investment environment in sound preparedness-related and macro policies.

- **Integrating climate considerations in policy frameworks.** RSF arrangements help countries integrate climate issues into the public finance policy frameworks (PFM, PIM) and public procurement frameworks (with support from the WB). PIM measures can also facilitate the creation of a pipeline of investable projects for the private sector. Climate budget tagging can facilitate finance flows as development partners and the private sector look for transparency and accountability of climate spending in the budget. Where budget tagging is in place, the authorities can choose to commit to devoting a minimum share of the budget to supporting green investments and to report regularly and transparently on progress in the implementation of supported projects (¶19). Integrating climate-related risks into financial stability frameworks (i.e., incorporating climate risk considerations into regulatory and supervisory frameworks and incorporating climate risks in banking sector risk assessments) can increase the capacity of the financial institutions and authorities to quantify and mitigate climate-related financial risks.
- **Realigning relative prices.** Where emissions mitigation is a key goal, reform measures would ideally include reducing energy subsidies, carbon pricing, and/or feebates—all of which can help attract additional climate finance.
- **Non-price measures.** Non-price measures can strengthen further incentives for green investments. Such measures can include, for example, establishing strong PPP frameworks or introducing frameworks for green-bond issuance and trading. More broadly, legal, regulatory and institutional reforms can reduce impediments to investment by improving data collection and coordination; clearing regulatory bottlenecks; advancing permitting reforms; expediting project review processes; improving risk management practices; and enhancing governance.

**50. Staff should also consult with development partners, private investors, and other stakeholders to identify reform measures that can reduce barriers to climate finance.** To identify policy reforms that could support climate finance, staff should engage early in the diagnostic phase with International Financial Institutions (IFIs), including the WBG and regional development banks, as well as other important stakeholders.<sup>61</sup> Strong public-private sector coordination is also essential for identifying policy hurdles and effective measures to alleviate the constraints on scaling up private climate finance.

**51. In some of the pilot cases, the authorities have explored options to crowd in private investments and/or reduce the risk of such investments (Box 5).**<sup>62</sup> For example, in Barbados, the authorities have developed with Multilateral Development Banks (MDB) support a pipeline of climate-related projects, which is expected to help attract private investments. In other cases, the authorities have used public resources to directly incentivize additional climate investments through

---

<sup>61</sup> For example, on climate, staff has fruitfully engaged with the Green Climate Fund. On pandemic preparedness, potential synergies should be sought with the Pandemic Fund and more broadly through engagement with the WB and the WHO.

<sup>62</sup> Examples include Barbados, Rwanda, Costa Rica, Jamaica and Bangladesh.

risk-sharing, blended finance, and other financial tools.<sup>63</sup> Debt-for-climate swaps have also become increasingly popular.<sup>64</sup> It is the prerogative of the authorities to choose how to use the fiscal space created through RSF financing, as long as the use is consistent with the RST objectives and the priorities set out in the MEFP.<sup>65</sup> At the same time, it would be important for country teams to flag that there are contingent fiscal liabilities associated with the public provision of credit enhancements for private investments, and advise the authorities to consider carefully both the benefits and the risks. Any initiatives that utilize public resources should have appropriate governance structures, and the processes for project selection, impact reporting, monitoring, and verification should be in line with best practices.

**52. The IMF's role.** The RSF-supported RMs can help the authorities adopt effective climate policies, strengthen governance, PFM, and accountability frameworks. Moreover, the Fund is helping member countries with capacity development, including advice on reducing barriers to private investment. IMF teams can help countries bring together relevant stakeholders to explore ways to scale up climate finance, including, where appropriate, by helping country authorities convene climate finance roundtables (Box 6); they should also report on any additional financing catalyzed, when data is available, in program documents. However, the Fund cannot seek to mobilize climate financing by development banks or investors on behalf of the member, nor act as a financial advisor, and it cannot be involved in the management or oversight nor vouch for the bona fides or success of any climate finance vehicle or fund, or any climate project. The Fund focus is to provide policy advice to support an enabling environment for productive investments.

---

<sup>63</sup> Risk sharing may be justified conceptually, for example, if there is a substantial asymmetry of information between the authorities and private investors (although that would be better addressed by improving transparency and governance frameworks) or if the social benefits from the investments are expected to exceed private returns.

<sup>64</sup> This is true especially for a select group of countries with limited access to concessional finance but significant need for climate financing. While typically not directly related to RSF operations, the potential fiscal space created by a debt-for-nature swap may well be deployed in support of RSF objectives at the discretion of the authorities.

<sup>65</sup> Country teams' monitoring should be similar to that under a stand-alone UCT program where disbursements are used for budget support. See [Staff Guidance Note on the Use of Fund Resources for Budget Support](#) ¶17.

### Box 5. Scaling up Climate Finance in Rwanda and Barbados

Rwanda and Barbados provide two examples of intensive collaboration across stakeholders and innovative use of financial resources to crowd in private climate investments.

- Rwanda has adopted a new programmatic approach to supporting climate investments through its green investment facility, [Ireme Invest](#), set up by the Rwanda Green Fund and the Development Bank of Rwanda. In the weeks following the RSF arrangement, development partners, including AFD and EIB, have committed to scale up climate financing with budget support, technical assistance, and long-term low-cost loans. This initiative is expected to fund a pipeline of projects estimated at EUR 400 million, including EUR 130 million in equity contributions from private investors. The Government of Rwanda is also prepared to scale up the equity of the Development Bank, as the pipeline of projects expands further.
- Similarly, Barbados adopted innovative initiatives to accelerate its transition to net zero and boost climate resilience. The Government of Barbados used part of the fiscal space created by the RSF to provide equity capital for a new [Blue Green Bank](#) which will lend to the private sector for investments in affordable green homes, hurricane-resilient roofs, and the electrification of transport, among others. The Bank is supported by additional capital from the Green Climate Fund. With support from international development partners, Barbados completed a debt-for-climate swap to replace costly outstanding debt with more affordable financing to be used for climate resilience projects related to water resource management and water and food security. In addition, low-cost, and long-term financing instruments and grants from development partners will support public investment in water, sanitation, and flood and coastal protection projects. Development Partners will also help increase the authorities' capacity and expertise in Private Public Partnerships (PPP) to attract private investment to build more resilient infrastructure.

### Box 6. Climate Finance Roundtables

In the context of some RSF arrangements, discussions with MDBs, private investors, and national development financial institutions have helped further the climate policy dialogue and secure additional financing to help meet the climate goals of the respective country. These discussions, that have taken the informal name of “climate finance roundtables,” are voluntary and should be led by country authorities – the Fund may be able to support the authorities, at their request, by helping facilitate the discussions and providing technical assistance where appropriate. The objective of the discussions is to collectively identify (i) the main barriers to increased climate financing; (ii) complementary reforms, capacity development needs, and comparative expertise; and (iii) programmatic approaches (e.g., frameworks for developing financing vehicles) for crowding in additional financing. The Fund can contribute to such discussions by placing them within the context of a coherent macroeconomic framework and by using them to identify (or highlight) relevant RSF-supported policy reforms and capacity development.

The Fund’s support for such roundtables should be coordinated with the World Bank and other regional MDBs as appropriate and feasible. In countries where the authorities’ engagement and development partners coordination on climate issues is more systematic, the roundtables can evolve into country-led climate platforms. For example, the Bangladeshi government launched a [Bangladesh Climate and Development Platform](#) and the Rwandan authorities established a [Rwanda Climate Finance Partnership](#).

## COORDINATION WITH EXPERT STAKEHOLDERS

**53. Coordination with the WBG (or the “Bank”) and other external expert stakeholders is crucial throughout the RSF arrangement design and implementation process.** The Bank and the Fund will seek complementarity and synergies in their climate-related works, as outlined in the September 2023 [Joint Statement of the IMF Managing Director and the World Bank President](#). IMF teams preparing RSF arrangements are encouraged to coordinate with the WBG and reach out to reputable external partners, including other international organizations. They should seek to leverage outside technical and sectoral expertise while ensuring the complementarity of interventions by the IMF with the work of development partners. Compliance with the Fund’s policies is required at all times, including with regard to protecting confidential information (Annex IX of the 2014 [Guidance Note on the Fund’s Transparency Policy](#)). Mission chiefs should ensure that the confidentiality of IMF-member discussions is maintained, consulting with LEG and SPR as needed.

**54. The IMF has developed a coordination framework with the WBG on addressing climate challenges.**<sup>66</sup> Principles for coordination are laid out in Annex III and ¶76-77 of the [RST Board paper](#) and focus on cooperation in diagnostics, reform design, and the assessment of climate policies.<sup>67</sup> Close engagement between IMF and WBG teams should be pursued at all stages of RSF preparation, design and implementation. When engaging with the WBG, mission chiefs should first contact the Country Director, including to coordinate sectoral work. Indeed, recent experience shows that closer coordination between the WBG and the Fund on climate, in line with each institution’s respective mandate and comparative advantage, can benefit the design of reforms under their lending instruments and can lead to higher authorities’ satisfaction with IMF and WB climate operations. The *Enhanced IMF-World Bank Framework to Scale-up Climate Action* builds on best practices of engagement between the IMF, the WBG and the country authorities on climate action and is being piloted in selected countries (Annex VI).

### Box 7. The Enhanced IMF-World Bank Framework to Scale-up Climate Action

The objective of the framework is to support interested member countries implement and finance their climate strategies through an integrated, country-led approach to policy reforms and resource mobilization, including through the IMF and WBG respective financing instruments. By leveraging synergies with respect to analytics, technical assistance, financing, and policy expertise, the two institutions, consistent with their respective legal and institutional frameworks, will seek complementarities in supporting country-driven reform programs and, if requested, climate finance mobilization efforts, in collaboration with other partners.

<sup>66</sup> All IMF and WB collaboration is covered by the general principle that confidentiality of IMF-member policy discussions should be maintained.

<sup>67</sup> See also the September 2023 [Joint Statement of the IMF Managing Director and of the World Bank President](#).



**Box 7. The Enhanced IMF-World Bank Framework to Scale-up Climate Action (Concluded)****The key addition to the process and outputs under the Enhanced IMF-World Bank Framework to Scale-up Climate Action are:**

- **Ahead of PCMs for RSF arrangement requests**, teams should i) jointly identify with the authorities the climate priorities and challenges for the country, in association with the WBG and development partners (Annex VI, Table 1 “Jointly Identified Challenges and Reform Objectives,” additional to the set of tables required outside of the enhanced collaboration framework); and ii) prepare a joint engagement matrix with the WBG identifying, for each reform area: financial support, technical assistance needed, and other development partners’ involvement, and formulate a joint timeline of proposed reforms and synergies (Annex VI Table 2 “Illustrative Timeline of Proposed Reforms and Synergies”). This table will replace the “RSF Reform Measure Matrix” Table 1 and the “Other Country and Development Partner Efforts” Table 2 under the non-enhanced collaboration framework in RSF policy notes and staff reports.
- **Each review** under an RSF arrangement would report on any intervening change in WBG operations and pipeline.

**55. The IMF has also developed a similar coordination framework on pandemic preparedness with the WHO and the WBG.** Good coordination between WBG, WHO, and IMF teams is strongly encouraged in the area of pandemic preparedness and Principles for Stepped-up Cooperation with the World Bank Group and the World Health Organization on Pandemic Preparedness were agreed upon in October 2024.<sup>68</sup> As with the WB on climate, Fund staff should engage early and continuously through the various stages of RSF design and implementation, drawing on specific country diagnostics and coordinating with WHO<sup>69</sup> and the WBG to identify effective RMs and to ensure complementarity with their activities, such as the National Action Plan for Public Health Security (Annex VIII). Fund, WHO and WBG staff are expected to share available diagnostics and analyses (e.g., Selected Issues Papers) and to engage early on potential reforms. Annex VIII describes the key steps and timelines for teams designing an RSF on pandemic preparedness in cooperation with the WHO and the WBG.

**56. Avoiding cross-conditionality.** Staff and the IMF’s Executive Board can draw as needed on the advice of WBG/WHO staff in areas of the WBG/WHO expertise. However, policy measures can be

---

<sup>68</sup> The press release to the Principles for Stepped-Up Cooperation with the World Bank Group and the World Health Organization on Pandemic Preparedness can be found here <https://www.imf.org/en/News/Articles/2024/10/04/pr24346-imf-wbg-who-step-up-cooperation-on-pandemic-preparedness>.

<sup>69</sup> WHO has a three-level structure (Headquarters, Regional Offices, Country Offices). Links to the appropriate contacts are provided in Annex VIII. In any case, it is critical that the IMF country teams engage closely with WHO country offices/teams.

<sup>70</sup> Third-party CD should also involve internal collaboration/consultation (e.g., with review and functional departments) to ensure efficient delivery of external CD and alignment with IMF recommendations.



included as RMs only if staff is able to monitor and verify their implementation independently, and the Executive Board can assess the implementation of the measure, regardless of conclusions drawn by other institutions.<sup>70</sup> That said, conditionality related to the same reform area or connected reforms in both IMF financing and WBG or other development partner financing is possible, and may be used where it can yield additionality in that reform area. For example, different policy actions undertaken by the same implementing agency may be supported by different institutions according to their comparative advantage. The IMF would in any case remain the sole responsible for establishing and assessing the completion of RMs under an RSF arrangement.

**57. Assessment Letters.** The WBG provides an Assessment Letter (AL) on the authorities' broader (i.e., beyond RSF-supported reforms) climate and/or pandemic preparedness policies for information ahead of the approval or review of an RSF arrangement. When requesting an AL, IMF country teams should share with the WBG available information on the likely reform areas for which the authorities may seek RSF support. For reviews where implementation of RMs is assessed, ALs can take the form of a streamlined update of the previous AL.

**58. Cooperation with other development partners and outside experts.** Engagement and cooperation with other expert stakeholders are strongly encouraged, both to develop good diagnostics and to explore synergies in supporting the member country's climate agenda. When RSF discussions with other expert stakeholders involve the authorities, staff should always seek their consent for the participation of external experts or other development partners. The aim should be to leverage reputable outside expertise to inform the discussions on RSF-supported reforms, while maintaining confidentiality of such discussions and protecting confidential information. The specific forms of engagement should be adapted to the type of partner:

- *Other MDBs:* MDBs may have valuable expertise and local presence to draw upon to help shape and implement reforms under the RSF arrangement. For these institutions, a broadly similar approach can be taken as with the World Bank (see ¶53-55). Although some MDBs have established high-level cooperation frameworks,<sup>71</sup> the principles and good practices of collaboration outlined above can apply even in the absence of a formal agreement.
- *Other official agencies (e.g., UN, EU, or national Development Finance Institutions):* For these institutions, formal collaboration agreements are less likely to be in place (or if they are in place, they are of a more general nature). Collaboration can be targeted and *ad hoc* in nature. Staff should always seek the authorities' consent for the participation of these other partners in discussions on the RSF arrangement.
- *Non-official agencies (e.g. Non-Governmental Organizations, academic institutions, think-tanks):* For other types of partners—including those with whom there are no general agreements

---

<sup>70</sup> Third-party CD should also involve internal collaboration/consultation (e.g., with review and functional departments) to ensure efficient delivery of external CD and alignment with IMF recommendations.

<sup>71</sup> See, for example, [how the IMF and the IDB](#) are deepening collaboration on climate policies.

governing cooperation at the institutional level—collaboration should be more limited to specific aspects of the RSF arrangement (e.g., RM design). Staff should always seek the authorities' consent for the participation of external experts in discussions on the RSF arrangement.

## OTHER RSF ARRANGEMENT MODALITIES

### A. Phasing and Reviews

**59. Reviews under the RSF arrangements are synchronized with, and their completion is conditional on the completion of, the review under the concurrent UCT-quality instrument (¶158, [RST Board paper](#)).**<sup>72</sup> RSF disbursements cannot be a substitute for financing through a Fund-supported program and can only occur in the context of an on-track UCT-quality instrument. Should a review under the UCT-quality instrument be delayed, the accompanying RSF arrangement review would also be delayed. All RMs will need to be implemented before the last review date under the UCT-quality instrument. If an RM is not implemented in time for a review, it will be assessed at the time of the next review under the RSF arrangement.

**60. Parliamentary authorization, if needed, should be secured before an RSF request is approved.** As is the case for other Fund instruments, in case parliamentary approval is needed for a member to request (or receive disbursements under) an RSF arrangement, staff should confirm that it is secured before IMF Board approval of the RSF arrangement.

**61. The phasing of disbursements under an RSF arrangement will be linked to the timing of RM implementation.** Each RM will specify a tentative implementation date (“target date”) and the earliest date on which the Board can review the implementation of the RM and the associated disbursement can be made (“availability date”). Teams are encouraged to provide a buffer between the target date and availability date to allow time to assess whether the RM was met (the appropriate length of the buffer should consider the time required for data to become available and the assessment to be completed). RSF availability dates normally mirror those under the accompanying UCT arrangement, but later dates are possible if justified.<sup>73</sup> In turn, availability dates will need to be set sufficiently ahead of the expected date of the Board meeting to allow adequate time for reporting to the Board. For UCT-quality instruments that do not have availability dates (e.g. PCI, PLL, and FCL), the availability dates in the RSF arrangement will be set independently, taking into account the target date and any necessary buffer.

<sup>72</sup> A review may also be completed at the time of the Board's approval of a UCT-quality instrument under the limited circumstances discussed in paragraph 11.

<sup>73</sup> In cases where alignment with the availability date under the UCT-quality instrument would imply unrealistic RM implementation timelines, different availability dates could be set under the RSF arrangement, provided Board assessment of the RSF-supported RM occurs at the same time as a scheduled review under the UCT-quality program and there is adequate time for assessment and reporting ahead of the Board meeting.

**62. Teams must specify the proposed phasing of disbursements under the RSF arrangement in the SR at the time of the request for RSF financing.** Normally, phasing would be even across RMs.<sup>74</sup> One or more RMs and disbursements could be linked to a single review, but when originally phased, RSF disbursements available upon completion of a single review should not exceed 50 percent of quota.<sup>75</sup> No RSF disbursement is available upon approval of an RSF arrangement, and if any proposed measures have already been implemented before the Board approval of an RSF arrangement, they cannot be part of the RSF arrangement.

**63. RSF disbursements become available following the completion of a review assessing the implementation of RMs.** Key elements of the process include the assessment of the measure, safeguards (i.e., CtR and debt sustainability), reporting, timing of the assessment, and disbursement.

- **Substantive assessment.** The RM must be implemented in its entirety to be assessed as met. No waiver of non-observance is possible under an RSF arrangement. However, minor deviations relative to the Board-approved design of an RM could be acceptable if the reform is substantively implemented and the objective of the reform measure is met. Other changes would not be considered “minor.”
- **Capacity to repay.** SRs for reviews under RSF arrangements require the inclusion of a paragraph with a bottom-line CtR assessment informed by a CtR table covering the RSF repayment period. The CtR dashboard is optional unless there are substantial changes to the macroeconomic framework.
- **Timing of RM implementation, reporting, and disbursement.** RMs need to be implemented in time for staff to make an assessment and reflect it in the SR, so that Executive Directors are given enough time to form their own view on the implementation of the measure. An RM that is implemented after the issuance of the SR would normally be assessed at the following review. However, should the authorities wish to seek disbursement for an RM completed after issuance of the SR, staff would need to issue a supplement to the SR to reflect RM implementation after the SR has been issued to the Board. The supplement would need to include (i) all the relevant information regarding implementation of the RM after issuance of the SR, including revised tables reflecting the disbursement associated with the relevant RMs (e.g., BoP, fiscal, capacity to repay, and RM tables); (ii) a supplementary LOI from the authorities, reporting on RM implementation and requesting the disbursement; (iii) a revised Proposed Decision prepared by the Legal Department;<sup>76</sup> and (iv) sufficient time to assess that information – typically at least 5 business days. Staff and the authorities should consider the potential complexities of the above before taking a decision about issuing a supplement; RSF disbursements are not meant to

---

<sup>74</sup> An exception could be an RM which entails specific near-term BoP costs. In this case, the disbursement for the review(s) that includes this RM(s) could be larger.

<sup>75</sup> Ex post, a disbursement can exceed 50 percent of quota in the case of delayed reform implementation.

<sup>76</sup> In such cases, both LEG and FIN should be alerted at the SR stage regarding the possibility of a supplement. See also FN77 below.

address urgent BoP needs, and there should not be any material adverse repercussion for the authorities in waiting for the following review to assess the RM.<sup>77</sup> RSF disbursements must be requested within 30 days of the completion of the Board review. Teams should remind authorities of this requirement. In cases where a member does not request the disbursement within 30 days of completion of the review, the disbursement of such resources may only be requested upon completion of the next review.<sup>78</sup>

**64. Delays in the implementation of RMs.** When implementation of a RM occurs later than the tentative target date, but in time to allow proper staff assessment and before the circulation of the SR to the Board, the RM could be assessed as implemented by the Executive Board and the disbursement would take place upon completion of the relevant review. In case of delays in RM implementation that prevent a timely assessment ahead of an upcoming Board meeting, the assessment of the RM would need to be conducted at the next review to unlock the associated disbursement at that time (¶159). As the target date for RM implementation is only indicative, delays in implementation of RMs do not require a rephrasing, though one may still be requested by the authorities (¶166). Regardless of whether a rephrasing of access takes place, however, the profile of Fund debt service could change especially when the RMs are completed in a different year from the original plan. This can have an impact on the macro framework and CtR table. Teams are required to ensure the latest numbers are reflected in the macroframework and tables informing the Board discussion (if needed, by updating them through the issuance of a staff supplement).

**65. Modification to the reform package.** Where necessary and appropriate, RMs can be modified, dropped or added by the Executive Board, but only in the context of reviews. The changes in the reform package can affect access levels. For example, dropping one RM will make the associated disbursement unavailable, reducing the amount of total RSF access by a corresponding amount, unless the dropped RM is replaced by another RM.<sup>79</sup> The updated reform package (whether with modified RMs or additional RMs) would at a minimum need to be in line with the standard for a high-quality reform package (¶124). Modifications can entail different target implementation and availability dates; in which case access would be rephased. As in UCT-quality instruments, modifications to and rephrasing of RMs are possible by the Board on a forward-looking basis (i.e., RMs should be reset for a future date, and modifications to RMs cannot be retrospective), except for rephrasing only in the case of early RM completion (¶166, third bullet).

**66. RSF arrangement rephasing modalities.** Rephrasing (i.e., adjusting the dates on which RST financing becomes available) can take place to realign the RSF arrangement with modifications or delays in reform implementation, or with any rephrasing under the UCT-quality instrument.

---

<sup>77</sup> A supplemental submission less than 10 days before the Board meeting may delay the disbursement beyond the standard of two business days following Board approval.

<sup>78</sup> In practice, FIN, copying Area Departments, will consult with the authorities once the SR is issued to ensure to the extent possible that the loan request is received before the review date to facilitate prompt disbursement following completion of the review.

<sup>79</sup> In rare cases where the new RM is much stronger than the dropped one, total access may increase.

Rephrasing should be requested by the authorities in the Letter of Intent (LOI) and supported by staff in the SR, then approved by the Board.

- Regardless of the target date, an RM will be assessed at the UCT-quality instrument review following: (i) the implementation of the RM, and (ii) after the relevant availability date has passed.
- Rephrasing of access to later reviews is possible if deemed appropriate by the authorities and staff and approved by the Executive Board. Access associated with the delayed RM would not count towards the 50 percent of quota access limit per review.
- Rephrasing to take into account earlier implementation of RMs is also possible under two scenarios. First, at the time of a review, early rephrasing and disbursement to the date of completion of such review can be requested for up to one RM that is completed ahead of schedule, provided: (i) there is sufficient time to evaluate its completion ahead of the Board date; (ii) there remains more than one RM to be implemented under the RSF arrangement; (iii) access associated with the early implementation of an RM is within the 50 percent of quota access limit per review; and (iv) the quality of the remaining reform package is not diminished and phasing remains appropriate, including in view of any concurrent requests for rephrasing for reasons other than early RM completion. Second, for future reviews under the RSF arrangement, RMs can be brought forward (and modified, if appropriate) if authorities are confident that they can implement them earlier than envisaged. In either case, teams should be cautious when supporting such requests, as advancing RM implementation could create undue pressures for early scheduling of CD support or result in weaker implementation if authorities try to meet a more ambitious timeline. Staff reports should also demonstrate that the additional financing made available through the earlier RSF disbursement is not intended to cover any UCT-quality instrument financing gap.

**67. Changes in RMs or phasing at the time of the scheduled review.** Modifications or additions to RMs cannot be made at the time of the related review, i.e., the Board cannot modify and assess a RM at the same time, with the exception (for a rephrasing only) of the early implementation of RMs originally targeted for future reviews (¶66, third bullet).

**68. Additional guidance for phasing and reviews when either a PLL, FCL, or PCI is the concurrent UCT-quality instrument:**

- For an RSF arrangement with an accompanying two-year FCL arrangement, the single mid-term FCL review would be a combined review under the FCL/RSF arrangements, with standalone RSF arrangement reviews for the residual RSF disbursements. All RSF reviews should be completed prior to the expiration of the FCL arrangement, and RSF disbursements must be made within the period of the RSF arrangement, unless the RSF arrangement continues under the conditions outlined in ¶12. For countries with PLL/RSF requests, only PLLs with a residual duration of at least 18 months would meet the length requirement of a qualifying UCT-quality instrument for an RSF arrangement. RSF reviews and disbursements would generally take place concurrently with PLL

reviews, with the availability dates under the RSF arrangement providing sufficient time to allow for assessment of the relevant RM(s) at the Board meeting (i.e., the availability date should be scheduled prior to the PLL review date). PLL arrangements provide for reviews at six-month intervals and therefore the final RSF disbursement/review would need to be linked to the last PLL review.<sup>80, 81</sup>

- For parallel PCI and FCLs that do not have scheduled disbursements, the RSF arrangement would identify availability dates linked to scheduled reviews or stand-alone RSF arrangement reviews.

**69. Lapse-of-Time (LOT) procedures.** A review under an RSF arrangement would be eligible for completion on a LOT basis where the review under the underlying UCT-quality arrangement or instrument meet the criteria for LOT completion of program reviews and the relevant reform measures have been met. The relevant reform measures are those for which a disbursement is being requested at the review. Therefore, LOT procedures may be considered in cases where one or more RMs are delayed past their expected implementation date, provided the delays are not repeated or egregious, and that staff judges that the delays do not impact overall performance and objectives under the RSF arrangement. Minor RM modifications may also be proposed under a review completed under LOT procedures, but material changes should be brought to the Board for discussion. Any significant rephasing of access under the RSF arrangement would typically require a Board discussion.<sup>82</sup> However, requests for rephasing of access in line with the provisions of this GN (¶66) to take into account earlier implementation of RMs could be proposed on a LOT basis. LOT procedures should not be proposed when the Board is scheduled to discuss the last review under an RSF arrangement.

---

<sup>80</sup> Teams should bear in mind the 50 percent of quota cap per review. Assume that a 24-month PLL, approved at time (T), provides 6 months of potential access to the first review at T+6 months, then another 6 months of potential access to the second review at T+12 months, and another 6 months of potential access until the third (and final) review at T+18. In this scenario, the accompanying RSF arrangement approved at time T could have a maximum of 3 reviews/disbursements, at PLL reviews 1-3. If, however, the RSF arrangement request is paired with the first review of PLL arrangement, total access of the RSF arrangement could be only up to 100 percent of quota, as there would only be two reviews remaining under a 24-month PLL (PLL reviews 2-3).

<sup>81</sup> It is important to bear in mind that the 30-day rule operates in a more restrictive manner than most Fund financing as the undrawn disbursements cannot be made available until the following review (and are forfeited if not drawn within 30 days of completion for the last review (Section II paragraph 3(b) of the RST instrument). Also, the last review should be scheduled so that there is sufficient time after its completion for the last disbursement to take place within the duration of the RSF arrangement.

<sup>82</sup> "Significant" rephasing refers, for example, to cases where the proposed rephasing of one RM would trigger a rephasing or re-sequencing of more RMs, or when RMs are both rephased and modified.

## B. Safeguard Modalities

**70. Safeguards Policy.** A safeguards assessment is required under the concurrent UCT-quality instrument, including the PCI, but no separate safeguards assessment is required for RSF financing (See [Safeguards Assessments—2022 Review of Experience](#)).<sup>83</sup>

**71. Post-Financing Assessments (PFA) and Article IV consultations will monitor developments following the end of an RSF arrangement and UCT-quality instrument.** Under the PFA policy, an assessment is expected for members that are not in a Fund arrangement (or PCI or SMP) and where GRA, PRGT, or RST credit outstanding or a combination thereof exceeds 200 percent of quota. A nominal threshold—set at SDR 0.38 billion credit outstanding to the RST—also triggers the need for PFA. Even where credit outstanding is below the threshold, the PFA policy provides the Managing Director with discretion to recommend the institution of PFA if there are developments that suggest the need for closer monitoring of the member's capacity to repay, and particularly, where developments call into question the member's progress toward external viability ([RST Board paper](#), ¶168). This recommendation is typically made at the last review and captured in a Board decision.

**72. Close monitoring of long-term RMs impact.** In cases where PFA is triggered, the evolution and impact of reform measures on the member's capacity to make repayments to the RST would be covered as part of the PFA. This could be done by including a brief overview of the reform areas touched upon by the RSF arrangement and any outstanding challenges following RM implementation that may pose risks to long-term capacity to repay if left unaddressed. In other cases, Article IVs are the main vehicle for covering issues raised in the context of RSF arrangements that remain macro-critical beyond the end of the program. As RMs are designed to help the member make significant progress toward prospective BoP stability, issues related to the RMs—including RMs that may not have been completed—may remain macro-critical, and as a result Article IV SRs would be expected to discuss these issues as well as any deviations or regressions in RSF-supported reform implementation, in line with the macro-criticality criterion of the Integrated Surveillance Decision (ISD).<sup>84</sup> In cases where developments during the repayment period require closer monitoring of the Member Capacity to Repay, staff may recommend a PFA to the Managing Director. If residual BoP needs persist or a new BoP gap emerges, any follow-up UCT-quality instrument would be expected to account for RSF repayments in assessments of debt sustainability and CtR.

**73. Misreporting framework.** Misreporting under an RSF arrangement occurs either:

---

<sup>83</sup> In the case of FCL arrangements, a member is not subject to the Fund's policy on safeguards assessments applicable to other arrangements and special safeguards procedures apply.

<sup>84</sup> Article IVs are expected to report on any policy reversal or new policies that undermine the objectives of the RSF arrangement as long as they remain macro-critical.



- when the member has received a noncomplying disbursement under an RSF arrangement as a result of inaccurate information being provided to the Fund which leads to an incorrect assessment that (a) an RM has been implemented when it has in fact not been implemented or (b) that the deviation in implementation of the reform measure was minor when in fact it was not; or
- there is an Executive Board finding of misreporting at a concurrent review<sup>85</sup> under one or more of the accompanying UCT-quality instrument(s),<sup>86</sup> which was not assessed as “de minimis” or waived by the Executive Board. In such cases, the disbursement made under the RSF arrangement at that concurrent review will also be tainted. This is a special design feature of the RST. As the UCT-quality instrument provides the short-term policy anchor and safeguards for disbursements under the RSF arrangement, a noncomplying disbursement under an accompanying UCT-quality instrument would also make disbursements made at the same time under the RSF arrangement noncompliant. Misreporting under the UCT-quality instrument supported by a Fund arrangement could arise from the provision of inaccurate information with respect to a performance criterion, prior action or conditions for granting a waiver of a performance criterion. Misreporting under the PCI could arise from the provision of inaccurate information as specified in the respective policies governing these instruments. If the misreporting arises solely due to the UCT-quality instrument, the misreporting under an RSF arrangement is subject to the same limitation period that applies to the misreporting under the relevant accompanying UCT-quality instrument.

**74. Upon evidence that a member may have received a noncomplying disbursement under ¶73(i) above, the Managing Director (MD) will inform the member promptly.** If, after consulting with a member, a determination has been made that a member has received a noncomplying disbursement, the MD will promptly notify the member and submit a report to the Executive Board. If the noncomplying disbursement was made no more than four years prior to the date on which the MD informed the member, the Board may decide either (a) that the member should make an early repayment of the disbursed amount, or (b) no early repayment is required based on a determination that the objectives of the reform measure have been achieved because the deviation in policy implementation is minor (¶63). If the decision of the Executive Board is to call upon the member to make an early repayment, the member will be expected to repay an amount equivalent to the noncomplying disbursement, together with any interest accrued thereon, normally within a period of 30 days from the date of the Executive Board decision.

**75. With respect to cases of misreporting under ¶73(ii) above, the misreporting framework applicable to the UCT-quality instrument applies, with no separate or additional steps required.** If a disbursement made under an RSF arrangement is non-complying solely

---

<sup>85</sup> “Concurrent review” refers to reviews under the RSF arrangement and UCT program that are completed at the same Executive Board meeting.

<sup>86</sup> If there is more than one, each UCT-quality instrument is considered to be the accompanying UCT instrument under the RST misreporting framework.

because of a finding of misreporting under the accompanying UCT-quality instrument, the applicable misreporting procedures shall be those specified under the provisions governing a misreporting under the relevant UCT-quality instrument. No additional steps are required in such situations under the RSF misreporting framework. Members are expected to make an early repayment of the non-complying disbursement(s) under the RSF arrangement unless, pursuant to the misreporting framework applicable to the UCT-quality instrument, the misreporting under the UCT-quality instrument is de minimis or a waiver of non-observance is granted by the Executive Board.

**76. The misreporting framework of the RST is otherwise procedurally analogous to that of the PRGT.**<sup>87</sup> Relevant information on misreporting should be made public by including it in the documents to be published after the Board discussion, such as a press release containing the Chairman’s Statement or summing up, with prior Board review of the text for publication. Whenever the Executive Board grants a waiver for nonobservance under the UCT-quality instrument or makes a determination that the objectives of the RSF-supported RM have been achieved, notwithstanding the misreporting, the discussion of misreporting will be included in the SR, though it will be deleted if the report is published.

**77. The MD will not recommend an RSF arrangement for approval by the Executive Board if a member country has overdue financial obligations to the Fund.** Specifically, where a member is in arrears to the Fund in the GRA, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee (including the PRGT and RST), the MD will not recommend and the Board will not approve financing, including an RSF arrangement, or completion of a review under an RSF arrangement, nor the continuation of an RSF arrangement under paragraph 11, and any pending disbursements under an existing arrangement will be suspended until the arrears are cleared. Moreover, should a member incur overdue financial obligations to the RST, that member’s access to the GRA and PRGT would also be suspended.

**78. The Fund’s strategy to prevent and remediate overdue financial obligations applies to the RST.** This strategy consists of three elements: prevention, intensified collaboration, and remedial measures. An escalating timetable will guide the Executive Board in considering remedial measures of increasing intensity, although the application of each measure would take into account the specific circumstances of the member. Details of the policy on overdue obligations for the RST are found in Appendix II of the RST Instrument and Section III G, paragraphs 64 to 67, of the Board paper establishing the RST. Whenever a member fails to settle a financial obligation to the RST on time, communication urging prompt payment would be sent to the member and the Executive Director concerned, and the member’s access to the GRA, PRGT, and RST will be suspended. In all cases, overdue obligations (i.e., repayments of principal or payment of interest) to the RST would accrue interest at an interest rate equal to the applicable interest rate under the relevant tier

---

<sup>87</sup> For more details on the misreporting framework of the PRGT, see [Handbook of IMF Facilities for Low-Income Countries \(IMF, 2023\)](#), Appendix I of the [PRGT Instrument, Annex to Decision No. 8759-\(87/176\), ESAF, as amended](#), and [Making the Misreporting Policies Less Onerous in De Minimis Cases](#) (IMF, 2006).

structure to compensate the Trust for the opportunity cost of arrears, subject to a minimum interest rate charge of the SDR. In addition, in cases of protracted overdue obligations, remedial measures would also include the Executive Board’s consideration of removing the member from the list of RST-eligible countries (6 months after emergence of arrears) and declaration of noncooperation with the Trust (12 months after emergence of arrears). Upon a declaration of noncooperation, the Fund could decide to suspend the provision of technical assistance to the member. The RST framework for overdue financial obligations allows for and encourages the prioritization of GRA repurchases and PRGT repayments (arrears clearance or as appropriate periodic partial/small payments) given that these have a unique “lender-of-last resort” function that is essential for the stable functioning of the international monetary system.

### C. RSF Lending Terms

**79. RSF loans have a maximum maturity of 20 years with a grace period of 10½ years.**

Principal repayments are made in 20 equal semi-annual installments that begin 10½ years after each RSF disbursement.

**80. RSF borrowers pay a margin over the 3-month SDR interest rate (SDRi), differentiated across three groups of countries through a tiered interest rate structure:**

- Group A countries pay a margin of 55 basis points above the SDRi up to a cap of 2¼ percent and are exempt from any service charges on RSF loan disbursements. These are all PRGT-eligible countries that are not presumed blenders.
- Group B countries pay a margin of 75 basis points above SDRi and are subject to an upfront one-time service charge of 25 basis points on each RSF disbursement. This group includes all “presumed blenders” (of PRGT and GRA resources) and all small states (below 1.5 million inhabitants) with per capita GNI below ten times the IDA operational income cutoff.
- Group C countries pay a margin of 95 basis points above SDRi and are subject to an upfront one-time service charge of 50 basis points for each RSF disbursement. This group includes all other RST-eligible countries, i.e., all eligible (non-small) Middle Income Countries (MICs) and all small states with income above ten times the IDA operational income cutoff.

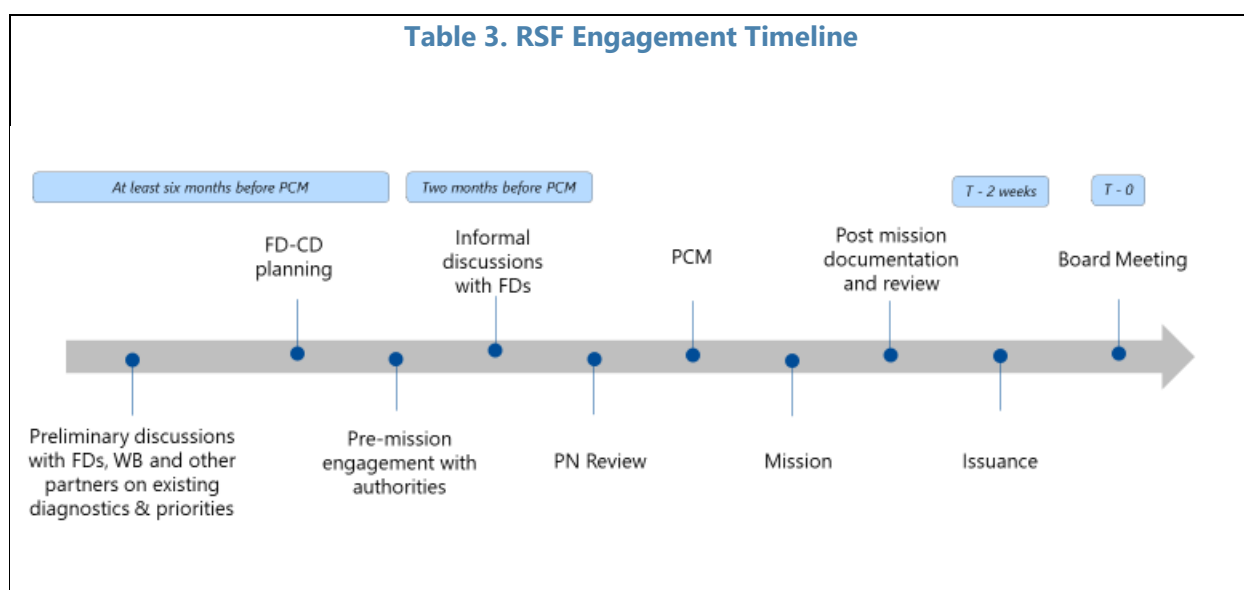
**81. Margin structure and service charges are subject to reviews, with adjustments as the Board considers appropriate.** The Board retains flexibility in setting the margin structure for RST loans that balances the need to ensure the financial sustainability of the Trust with the need to protect the poorest members. The Board will review interest rates during each regular RST policy review but can also conduct earlier/ad hoc reviews if needed.

## OPERATIONAL CONSIDERATIONS

### A. Pre-Mission Work

#### RSF Requests

**82. Early experience with RST operationalization has shown the importance of allowing enough time to develop a well-designed program.** Table 3 and the paragraphs below illustrate good practices developed during the pilot phase. A slightly modified engagement timeline is suggested under the enhanced collaboration framework with the WBG (Annex IV).



**83. Preparations for an RSF request should generally begin at least six months before the PCM, with at least 24 to 26 months remaining in the concurrent UCT-quality instrument.** Engagement with the WBG – through the Country Director – should start in the early stages of preparation to distill available diagnostics and identify diagnostic gaps. At this time, the team should also request an AL and communicate to the WBG and, where relevant, the WHO, the timeline for the PN (the WBG should be invited to the Policy Consultation Meeting (PCM)), mission, and expected Board discussion. Country teams may also consider a staff visit to gather information on the long-term challenges and needed reforms that could inform the PN for a subsequent RSF request negotiation mission. The preparation period can be shortened for cases where RMs have been previously discussed with the review departments (e.g., as part of a program that was not finalized) and may decrease over time as the Fund builds more experience with RSF requests.

**84. Country team-led preliminary discussion.** To develop broad consensus on climate and/or pandemic challenges and potential RSF goals, the country team should discuss early in the process with FDs, the WBG and other development partners as appropriate: (i) the climate or pandemic preparedness policy landscape, (ii) relevant work already undertaken or planned timeline for it and

other support/CD or key projects from the WBG and development partners,<sup>88</sup> (iii) broad reform areas under consideration and related capacity development needs, (iv) potential cross-institutional synergies (avoiding overlapping CD across institutions) and (v) the potential for the RSF to help attract additional climate finance. In order to prepare a comprehensive reform matrix (T41), teams will also need to reach out to development partners to learn about their work on the respective longer-term structural challenge. Examples of support that can be provided by functional departments at this stage (if needed) include:

- FDs can share climate-related areas/questions for country team to explore.
- If major climate products (CPD, C-PIMA, CCDR, etc.) are not available or planned, Fiscal Affairs Department's Climate Policy Division (FADCP) can provide guidance on identifying alternative climate documents. If the timeline and resources permit it, FADCP could put together a detailed "information note" to help guide country teams.
- If country teams find it helpful: (i) FAD can provide a brief country-specific overview of key climate issues based on available documents, and (where available) cross-country comparisons and good practices. If interested, country teams should agree on a timeline with FAD as soon as possible; (ii) MCM could meet with the country team to discuss the potential of scaling up climate finance and RMs related to financial sector regulation and supervision; (iii) ICD and RES can discuss models that may be appropriate for assessing the macroeconomic impact of climate policies; and (iv) STA can discuss potential climate data issues and gaps.
- FAD can also provide support on pandemic preparedness assessments and potential reform identification, and support country teams in their exchanges with the WHO and WBG.

**85. The determination of the scope and timing of FD support should start ideally 6 months before the PCM to allow for resource planning.**<sup>89</sup> Based on the initial discussions, the country team will determine concrete climate or pandemic preparedness CD needs and decide whether further FD support is needed (including whether a FD climate economist or pandemic preparedness expert will join the team). To allow sufficient time to develop strong RMs, CD diagnostic missions (if needed) should take place *2-3 months* prior to the negotiation mission (an FD economist, if needed, would be assigned at that time as well).

**86. Available diagnostics and CD recommendations should form the basis for the design of reform measures.** They should be available to the country team when it starts designing RMs, well ahead of the PN review. The design of strong RM typically requires a period of close

---

<sup>88</sup> For climate, this may include CPD, C-PIMA, and CCDR. For pandemic preparedness, this may include JEEs and NAPSHs.

<sup>89</sup> This timing is important for CD planning purposes although specific timelines will vary on a case-by-case basis. Ideally, CD needs for RSF requests would be integrated ex-ante in the annual and medium-term CD planning frameworks.

collaboration and discussions with the CD team. Further FD CD may be needed to implement RMs though the course of the program. In such cases, to facilitate planning, expected future FD support needs should be discussed as early as possible with relevant departments.

**87. Early engagement with country authorities.** Country teams should also engage early with the authorities to understand their climate strategy and the latest NDCs, or their strategies and plans related to pandemic preparedness, and identify the key agencies involved. Later in the pre-request stage, staff visits preceding the RSF/UCT negotiation missions could be a useful opportunity to present to the authorities an early overview of the reform areas being considered for inclusion in the RSF.

**88. Informal discussions with FDs prior to PCM**

- **Two months before the PCM.** The country team should present to relevant FDs (i) key climate or pandemic challenges/risks, plans, and initiatives (could share climate annex/note on pandemic preparedness if ready) (ii) climate or pandemic preparedness work already undertaken (including diagnostics and CD provided or planned by the Fund or other institutions) and (iii) initial thinking on the reform strategy. The discussion would focus on what more is needed to help define RMs and sharpen the analysis. Relevant FDs will share additional areas/questions for country team to explore.
- **One month before the PCM.** Country teams could compile a list of potential RMs and MEFP commitments—based on CD and/or inputs of the team’s FD climate economist or pandemic preparedness expert (if one was assigned). Where appropriate, this list can serve as the basis for early feedback from the authorities on potential RMs and MEFP commitments. The format can vary across staff visits, virtual missions/meetings, and email exchanges.
- **Optionally,** the Climate Annex / pandemic preparedness note could be shared with relevant FDs for informal comments a couple of weeks prior to PN circulation.

**89. Once RMs have been agreed, teams should work with the authorities to develop a clear path to reform implementation.** Many RMs involve institutional reforms that require pre-requisite steps to be completed – agreeing on them and their timelines, and when critical encapsulating them into the MEFP/TMU, is recommended to minimize implementation risks, clarify expectations, and ensure RM assessment can be precise. If requested, FDs can assist country teams throughout the process (Box 8). To the extent that third-party CD is required, teams should also coordinate with relevant development partners as required.

### Box 8. Supporting the implementation of RSF reforms

The nature of RSF reform measures (RMs) poses implementation challenges beyond those experienced with the conditionality used in traditional Fund programs. RMs are focused on delivering outcomes within the limited RSF arrangement duration, they are often interdependent, and they involve a wide range of stakeholders outside the traditional Fund counterparts that need to be coordinated.

To ensure the full and timely implementation of the RMs within the limited duration of the RSF arrangement, the authorities could prepare a detailed work program to monitor implementation of each measure included in the RSF RM matrix from the beginning of the RSF arrangement. The

workplan could include interim steps and take into account the interdependence of various RMs to facilitate monitoring and a clear allocation of roles and responsibilities among the different stakeholders.

At the authorities' request, country teams, with support from relevant FDs, could share a basic progress management tool that could be populated and used by the authorities and, if the authorities agree, shared with the country team and used as a coordination tool.

### RSF Arrangement Reviews

**90. Pre-mission work for RSF arrangement reviews broadly follows the process for general UCT.** The primary purpose of an RSF review is for the team to assess the member's performance on RMs, while confirming the member's debt sustainability and capacity to repay. Reviews can also be used to monitor the implementation of past RMs (for previous reviews) and make any needed updates to RSF program design, such as the content of future RMs or phasing (see ¶61-67) depending on changing circumstances. However, given the longer-term nature of the RSF challenges and reforms, changes in RSF design are expected to be less frequent than in UCT-quality instruments. If changes become necessary, teams should seek early discussion with the FDs (ideally about one month before the PCM).

### Internal Review

**91. PN Review and PCM.** Whenever possible (for both RSF requests and reviews), country teams should allow extra time for PN review to facilitate in-depth assessment of RMs, including feasibility, consistency with climate and pandemic preparedness plans, and synergies with reforms supported by other institutions. Teams should also invite the WB/WHO to comment on relevant parts of the PN. Teams are strongly encouraged to plan either longer or separate PCMs to allow enough time for in-depth RM discussions, and should invite the WB to the RSF part of the PCM. Table 4 below provides word count guidance on PNs and SRs for RSF requests and reviews.<sup>90</sup>

<sup>90</sup> General guidance on document length can be found [here](#).



<b>Table 4. Proposed Word Count Limits for RSF Requests/Reviews</b>		
	PN	SR
Joint RSF request/UCT/A4	5,100	10,500
Joint RSF request/UCT Joint RSF review/UCT/A4	4,600	10,100
Joint RSF review/UCT	3,600	9,500

## B. Mission Work

### 92. Teams should define clear objectives for RSF-related missions.

For RSF arrangement request missions, objectives should include—but are not limited to:

- Confirming an understanding of the key policy gaps in the context of striving for mutually agreed objectives for the RSF targets with the authorities, and other partners. This would include key challenges, declared government objectives, current government policies/projects and policy/project reform needs, current/planned support by other development partners
- Agreeing with the authorities on a RSF RM matrix to close the policy gaps (including the content of policy reforms, the timeline, responsible entities, CD and development partner implementation support if needed).
- Finalizing integration of the RSF RMs and RSF financing in the macro framework of the arrangement (if not already done for the PN), particularly when the implementation of RMs create short to medium-term BoP needs.
- For RSF arrangement review missions, objectives should include—but are not limited to:
  - Confirming completion of RSF RMs (including weblinks to published documents).
  - Discussing intermediary steps and additional CD necessary to ensure timely completion of the remaining RSF RMs.
  - Discussion of other climate or pandemic preparedness policy gaps and a decision on whether RSF program modification/augmentation is warranted.

These should be considered in the context of evolving UCT policies and conditionality. It is also best practice for reviews to monitor implementation of past RMs and any further steps taken or recommended in those policy areas.

**93. Country teams are encouraged to leverage expertise from outside experts, especially from the WB and from other partner institutions (for both RSF arrangement requests and reviews).** While all meetings should be led by staff, mission chiefs are encouraged to involve the WB and WHO in meetings but should be cautious in inviting other outside experts to join RSF negotiations (¶158).

**94. Country teams are encouraged to allow enough mission time to cover all key RSF-related issues.** For both RSF arrangement request and reviews, country teams could consider (i) dedicated mission days focused on the RSF arrangement and (ii) an introductory meeting in which the team presents to the authorities the mechanics of the RSF arrangement and discusses key climate or pandemic preparedness challenges that could be tackled by the RSF arrangement. Compared to stand-alone UCT-quality instrument missions, RSF arrangement missions should aim to broaden the range of counterparts to include government entities responsible for coordinating and implementing climate policy or pandemic preparedness, Ministries responsible for environment, infrastructure, energy, agriculture, transport, health, social protection, as well as relevant sectoral experts from the WB and other development partners.

**95. Generally, joint UCT instrument and RSF arrangement missions will conclude with the announcement of a joint Staff Level Agreement (SLA).** If more time is needed to reach understanding on RSF-supported reforms and/or RSF arrangement modalities, SLAs for the RSF arrangement can be reached after that for the UCT instrument. However, the RSF SLA cannot precede that of the UCT instrument, as RSF arrangements cannot be approved on a standalone basis and any changes to the UCT instrument might impact the timing and implementation of RSF-supported RMs.

### C. Post-Mission Work and Documentation

**96. Post-mission work broadly follows that of a UCT-quality instrument, but specific attention is given to any changes to RSF arrangement modalities.** After the mission (for RSF arrangement requests and reviews), the mission chief should send a Back-To-Office (BTO) to Management, covering RSF arrangement and UCT-quality instrument-related issues. To help streamline the SR review and clearance process, the BTO should include (i) any changes in the RSF arrangement, (ii) any important developments in climate and pandemic-related policies, and (iii) a table mapping RMs included in the PN and those agreed during the mission.

**97. Documentation for PNs and SRs for RSF.** The following items should be included in PN and SR for RSF requests and reviews.

- **Executive summary:** (i) The context section should reference the structural challenges the RSF request aims to address; and (ii) the program modalities section should include a separate paragraph introducing the RSF arrangement, including any BoP need justification, RSF financing amount, RSF reform priorities, and specify if the authorities requested benefitting from the enhanced collaboration framework with the WBG.

- **Context:** Highlight the longer-term structural challenge the RSF request aims to address, including the BoP link, and a concise discussion of government objectives and plans.
- **Policy discussion:** Include a section discussing (i) the structural challenge the RSF request aims to address and (ii) the country's current and planned policies to tackle the challenge, where RSF RMs should be highlighted.
- **RSF arrangement modalities:** Include a paragraph on the RSF. For requests and augmentation, the paragraph should highlight (i) eligibility/qualification for the RSF request, (ii) justification of the access level, (iii) how the RSF financing is integrated in the macroeconomic framework and what risks to BoP stability it addresses. Include an additional paragraph on how the RSF catalyzes other climate financing, if applicable.
- **RM matrix and development partners engagement table:** The RM matrix table links RMs to key challenges, diagnostics, CD and outcomes (Table 1). RSF requests should also include the mapping of the climate and pandemic-preparedness policy space, including outlining existing policy actions taken by the authorities, and the role of other development partners in supporting other reforms (Table 2).
- **Climate Annex and/or Note on Pandemic Preparedness (for RSF requests only):** More details on the structural challenges the RSF aims to address, the government's overall reform program, an overview of other support by development partners; it could also be augmented with a box outlining CD needs a CD strategy for reform implementation, including over the review stages (regardless of whether the CD is provided by the Fund or other institutions).
- **DSA:** The DSA write-up should explain how (i) the structural challenges targeted by the RSF and (ii) the accompanying policy/investment response measures are reflected in the macroeconomic framework underlying the DSA. Under the MAC DSA framework, teams are required to run the LT climate stress test module in case of climate-related RSF requests. In general, teams are encouraged to include customized stress tests reflecting risks linked to the size of the structural challenge tackled by the RSF (Annex IV).
- **Program tables:** Ensure that the fiscal, BoP and external financing tables clearly show that the pre-RSF financing gap is closed by the UCT arrangements. RSF financing is additional (i) to build foreign exchange reserves towards future prospective balance of payment needs, (ii) to replace alternative financing with less advantageous terms and/or (iii) to cover additional financing needs from the RSF reforms themselves (Annex II).

- **Additional RSF-specific tables:** In addition to the standard UCT-UFR tables, and Tables 1 and 2 described above, teams should include in the SR a RM timeline organized by broad reform areas, and a RSF phasing table.<sup>91</sup>
- **Other:** Stand-alone RSF SRs (e.g., in the case of a concurrent FCL arrangement) should provide a brief overview of macroeconomic and policy developments, and, where applicable, illustrate how the UCT-quality instrument qualifications are still verified.

**98. Assessment Letters and reporting on cooperation with expert stakeholders.** For both RSF arrangement requests and reviews, ALs should be included as a supplement of the SR and in the bundle for publication. For reviews, the AL can take the form of a streamlined update of the previous AL. Similarly, for both RSF arrangement requests and reviews, the SR and MEFP (or Program/Written Statement) should document the coordination with the WB/WHO, including a brief description of their engagement in the sector and/or any technical assistance related to RST-supported reforms they provide. The SR should also acknowledge WB/WHO staff's inputs, describe parallel financing arrangements, and complementary/synergic policy and financial operations when relevant.

**99. LOI, MEFP/Program Statements and TMU.** Following standard lending policies and practices, the joint UCT-quality instrument/RSF arrangement LOI and MEFP should reflect the request for RSF financing and disbursements during a review, and adjustments in phasing or substance of RMs, as needed.<sup>92</sup> The MEFP should describe the authorities' plans to address the qualifying longer-term challenge(s) and, if applicable, any related financing plans; and should also explain how RMs would contribute to those plans. Where appropriate, detailed specifications on how RMs should be implemented and assessed can be included in the TMU.

## D. Final RSF Arrangement Review

**100. At the final RSF arrangement review, country teams are encouraged to take stock of the progress made under the RSF arrangement.** Teams may wish to provide a summary in the staff report of the reform effort, report on the initial implementation experience, and discuss how they expect the authorities to take the reform agenda forward (including timelines, as applicable).<sup>93</sup> This would help provide the basis for following up in subsequent engagement.

---

<sup>91</sup> See as an example the March 2023 Jamaica Staff Report, IMF [Country Report No. 23/105](#) (Text Table 3 with a RM timeline and Table 8 for RSF phasing).

<sup>92</sup> In cases where a full-fledged MEFP or PS is not required under the UCT-quality instrument (e.g. FCL/PLL), a stand-alone LOI (written communication in the case of the FCL/PLL) should convey the formal request for an RSF arrangement and a stand-alone MEFP should detail the authorities' objectives related to the RSF-qualifying challenge(s), their plans and commitments to implement the RMs. The informal Board meeting preceding the formal FCL or PLL request will not cover potential RSF arrangement request and will be limited to the potential UCT instrument only.

<sup>93</sup> For example, the August 2024 Jamaica Staff Report, IMF [Country Report No. 24/277](#), Annex III included a timeline for reform implementation.

**101. Further monitoring will be covered as part of ongoing surveillance and lending.**

Following the end of an RSF arrangement, Article IV consultations will be the main vehicle for teams to follow-up on the longer-term structural challenges addressed by the RSF, including assessing the implementation of RMs. This can also be done through the PFA, where applicable (¶71). Follow-up reforms, if macro-critical, could also be considered as part of a future UCT-quality instrument. Any follow-up UCT-quality instrument would be expected to account for RSF repayments in debt sustainability and capacity to repay considerations.

## Annex I. RST-Eligible Countries

Country	PRGT	Small State	Group	Country	PRGT	Small State	Group
Afghanistan	1	0	A	South Sudan	1	0	A
Burkina Faso	1	0	A	St. Lucia	1	1	A
Burundi	1	0	A	St. Vincent and the Grenadines	1	1	A
Cabo Verde	1	1	A	Sudan	1	0	A
Central African Republic	1	0	A	Syria	1	0	A
Chad	1	0	A	Tajikistan	1	0	A
Congo, Democratic Republic of	1	0	A	Tanzania	1	0	A
Djibouti	1	1	A	Togo	1	0	A
Dominica	1	1	A	Tonga	1	1	A
Eritrea	1	0	A	Tuvalu	1	1	A
Ethiopia	1	0	A	Uganda	1	0	A
Gambia, The	1	0	A	Yemen	1	0	A
Grenada	1	1	A	Zambia	1	0	A
Guinea	1	0	A	Zimbabwe	1	0	A
Guinea-Bissau	1	0	A	Bangladesh	1	0	B
Haiti	1	0	A	Belize	0	1	B
Kiribati	1	1	A	Benin	1	0	B
Kyrgyz Republic	1	0	A	Bhutan	1	1	B
Lesotho	1	0	A	Cambodia	1	0	B
Liberia	1	0	A	Cameroon	1	0	B
Madagascar	1	0	A	Comoros	1	1	B
Malawi	1	0	A	Côte d'Ivoire	1	0	B
Maldives	1	1	A	Equatorial Guinea	0	0	B
Mali	1	0	A	Eswatini	0	1	B
Marshall Islands	1	1	A	Fiji	0	1	B
Mauritania	1	0	A	Ghana	1	0	B
Micronesia	1	1	A	Guyana	0	1	B
Mozambique	1	0	A	Honduras	1	0	B
Myanmar	1	0	A	Kenya	1	0	B
Nepal	1	0	A	Lao P.D.R.	1	0	B
Niger	1	0	A	Mauritius	0	1	B
Congo, Republic of	1	0	A	Moldova	1	0	B
Rwanda	1	0	A	Montenegro, Rep. of	0	1	B
Samoa	1	1	A	Nicaragua	1	0	B

Country	PRGT	Small State	Group	Country	PRGT	Small State	Group
São Tomé and Príncipe	1	1	A	Papua New Guinea	1	0	B
Sierra Leone	1	0	A	Senegal	1	0	B
Somalia	1	0	A	Malta	0	0	C
Solomon Islands	1	1	B	Mexico	0	0	C
Suriname	0	1	B	Mongolia	0	0	C
Timor-Leste	1	1	B	Morocco	0	0	C
Uzbekistan	1	0	B	Namibia	0	0	C
Vanuatu	1	1	B	Nauru	0	1	C
Albania	0	0	C	Nigeria	0	0	C
Algeria	0	0	C	North Macedonia	0	0	C
Angola	0	0	C	Pakistan	0	0	C
Antigua and Barbuda	0	1	C	Palau	0	1	C
Argentina	0	0	C	Panama	0	0	C
Armenia	0	0	C	Paraguay	0	0	C
Azerbaijan	0	0	C	Peru	0	0	C
Bahamas, The	0	1	C	Philippines	0	0	C
Barbados	0	1	C	Russian Federation	0	0	C
Belarus	0	0	C	Serbia	0	0	C
Bolivia	0	0	C	Seychelles	0	1	C
Bosnia and Herzegovina	0	0	C	South Africa	0	0	C
Botswana	0	0	C	Sri Lanka	0	0	C
Brazil	0	0	C	St. Kitts and Nevis	0	1	C
Bulgaria	0	0	C	Thailand	0	0	C
China	0	0	C	Trinidad and Tobago	0	1	C
Colombia	0	0	C	Tunisia	0	0	C
Costa Rica	0	0	C	Türkiye	0	0	C
Cyprus	0	0	C	Turkmenistan	0	0	C
Dominican Republic	0	0	C	Ukraine	0	0	C
Ecuador	0	0	C	Vietnam	0	0	C
Egypt	0	0	C				
El Salvador	0	0	C				
Estonia	0	0	C				
Gabon	0	0	C				
Georgia	0	0	C				
Guatemala	0	0	C				
India	0	0	C				



<b>Country</b>	<b>PRGT</b>	<b>Small State</b>	<b>Group</b>	<b>Country</b>	<b>PRGT</b>	<b>Small State</b>	<b>Group</b>
Indonesia	0	0	C				
Iran	0	0	C				
Iraq	0	0	C				
Jamaica	0	0	C				
Jordan	0	0	C				
Kazakhstan	0	0	C				
Kosovo	0	0	C				
Lebanon	0	0	C				
Libya	0	0	C				
Malaysia	0	0	C				

## Annex II. RSF Financing Presentation in Tables for Program Documents

*RSF financing should not contribute to closing external/fiscal financing gaps, unless the RMs generate direct, identifiable, and short-term BoP/fiscal costs not covered by other development sources. This annex explains how to present RSF financing in PN and SR external financing needs and sources, BoP, and fiscal tables by means of an illustrative example. Importantly, RSF disbursements should be recorded below the line, along with other reserve and closely related items.*

**1. An imaginary RSF case as illustrative example.** Country X requests a 3-year RSF, which intends to use for budget support. RSF disbursements will help build external and fiscal buffers in year 1, but also finance BoP and fiscal costs directly linked to RMs in year 2. In year 3, the authorities plan to use the RSF disbursements to substitute more expensive domestic financing; these savings which will in turn increase buffers against risks related to the longer-term structural challenges. The paragraphs and Table A1 below give an illustration of the different uses could be reported in program tables.

**2. External Financing Needs and Sources Table (Panel A).** If RMs do not generate identifiable BoP costs (i.e., in 2023 and 2025 in Table A1 below), the financing gap should be closed excluding RSF financing. In this case, RSF disbursements are presented after the exceptional financing/residual gap, which should be equal to zero. Consequently, RSF financing will either top up overall reserves or substitute for more expensive financing. If RMs generate identifiable BoP costs (e.g., through larger imports), the additional financing gap can be financed by the RSF arrangement. In these cases, the portion of the RSF disbursements dedicated to these RMs should be presented under prospective financing, but separately from other IMF financing (e.g., ECF/EFF) and budget support (year 2024 in Table A1). The remainder of the RSF financing should be presented after the exceptional financing/residual gap.

**3. BoP Tables (Panel B).** The final presentation of these tables may depend on staff preferences and current practices but, consistent with the table above, RSF disbursements would typically be presented after the residual gap, topping up the overall reserves or substituting for more expensive financing. In cases where RMs generate identifiable BoP costs, the higher overall deficit can be financed by the RSF.<sup>1</sup> The portion of the RSF disbursement providing this financing should be presented separately from prospective budget support and other IMF financing. The remaining portion of the RSF disbursement should be presented after the residual gap. In both

---

<sup>1</sup> The specific costing of reforms would be required, especially if it serves to justify RST access above the norm to address any direct short- to medium-term BoP needs associated with the implementation of corresponding RSF-supported reforms. However, quantification may be difficult and may generate misunderstanding about the earmarking of RSF disbursements; teams should exercise caution and consult with SPR in case of doubt.

cases, gross reserves with and without the RSF are shown in the memorandum items to disentangle the impact of the RSF.

**4. Fiscal Tables** (Panel C). RSF financing is usually recorded under external financing below the line (in some cases however, RSF disbursements may be recorded under domestic financing as the disbursement is kept in the central bank and the equivalent amount is lent to the government in domestic currency). If the RMs do not generate fiscal costs, the RSF disbursements should lead to (i) an “over-financing” that increases government financial assets or (ii) replacing other, more expensive financing. In cases where RMs generate identifiable fiscal costs, a portion of the RSF disbursement can be presented as financing the higher fiscal deficit driven by the larger current/capital expenditures due to RM costs.

**Table A.II.1. RSF Presentation in Program Tables**

A. Gross Financing Needs Table				B. BoP Table			
	2023	2024	2025		2023	2024	2025
<b>A Gross Financing Needs (1+2)</b>	<b>1050</b>	<b>1050</b>	<b>1000</b>	<b>Current Account [A]</b>	<b>-1000</b>	<b>-1050</b>	<b>-1000</b>
1 Current account deficit	1000	1050	1000	Goods and services	-300	-350	-300
of which RSF reform costs	0	50	0	of which identifiable RM BoP costs	0	-50	0
2 Reserve accumulation (without RSF)	50	0	0	Primary and secondary income	-700	-700	-700
<b>B Gross Financing Sources</b>	<b>750</b>	<b>700</b>	<b>700</b>	<b>Capital and Financial Account [B]</b>	<b>750</b>	<b>700</b>	<b>700</b>
<b>C Financing Gap (B-A)</b>	<b>-300</b>	<b>-350</b>	<b>-300</b>	<b>Overall Balance [A]-[B]</b>	<b>-250</b>	<b>-350</b>	<b>-300</b>
<b>D Prospective Financing (3+4+5)</b>	<b>300</b>	<b>350</b>	<b>300</b>	<b>Financing</b>	<b>150</b>	<b>250</b>	<b>200</b>
3 IMF ECF/EFF	100	100	100	Change in reserves (- = increase, without RSF)	-50	0	0
4 Budget support (multilateral excl. IMF)	200	200	200	Prospective budget support	200	200	200
Grants	100	100	100	RSF disbursement (identifiable RM BoP costs)	0	50	0
Loans	100	100	100	<b>Financing Gap</b>	<b>100</b>	<b>100</b>	<b>100</b>
5 RSF disbursement (RM BoP costs)	0	50	0	Use of Fund credit: ECF/EFF	100	100	100
<b>E Exceptional Financing/Residual Gap (C+D)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Residual Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>
6 RSF disbursement (not linked to RM costs)	50	50	50	RSF disbursement (not linked to RM BoP costs)	50	50	50
F Reserve accumulation (with RSF) (2+6)	100	50	50	<b>Memorandum items</b>			
<b>Memorandum items</b>				Gross reserves (with RSF)	1000	1050	1100
Total RSF disbursements	50	100	50	Gross reserves (without RSF)	950	950	950
				Total RSF disbursements	50	100	50

C. Fiscal Table			
	2023	2024	2025
<b>Total revenue and grants</b>	<b>2500</b>	<b>2500</b>	<b>2500</b>
<b>Total expenditure and net lending</b>	<b>4950</b>	<b>4950</b>	<b>4900</b>
Current expenditure	3950	3900	3900
Capital expenditure	1000	1050	1000
<b>Fiscal balance</b>	<b>-2450</b>	<b>-2450</b>	<b>-2400</b>
<b>Domestic financing</b>	<b>1500</b>	<b>1500</b>	<b>1450</b>
<b>External financing</b>	<b>1000</b>	<b>1000</b>	<b>950</b>
Project financing	0	0	0
Budgetary assistance	200	200	200
Eurobond issuance	750	700	700
RSF disbursement (total)	50	100	50
<b>Increase in government assets</b>	<b>50</b>	<b>50</b>	<b>0</b>
of which RSF (not linked to RM fiscal costs)	50	50	0
<b>Memorandum items</b>			
Fiscal balance excluding RSF spending	-2450	-2400	-2400
Financing excluding RSF disbursement	2450	2400	2400
Domestic financing without RSF	1500	1500	1500
Domestic financing with RSF	1500	1500	1450

1/ For simplicity, the exchange rate for the domestic currency is assumed pegged at 1 USD=1 LCU

## Annex III. Assessment of Capacity to Repay the Fund in RSF Arrangements

### CtR “Dashboard”

1. For new RSF arrangements and augmentation requests, a country’s Fund credit exposure is benchmarked against a comparator group, and exposure metrics are presented in a CtR dashboard (i.e., a set of standardized charts) in program documents. The CtR dashboard includes key economic metrics for the country in question and a relevant comparator group to detect cases of elevated risk. This CtR dashboard must be included in the PN and SR of the RSF request or the request for augmentation.

### Economic Metrics

2. The CtR dashboard should present eight metrics. These metrics, which are reflected in standardized panel charts, illustrate the evolution of projected Fund credit and debt service to the Fund both for the country in question and a comparator group:<sup>1</sup>

- i. **Six time-series charts** with projections starting the year of the RSF arrangement request or augmentation and ending when credit outstanding is repaid (i.e., 20 years from the last disbursement):
  - **Three stock indicators:** projected stock of Fund credit outstanding relative to (i) GDP, (ii) gross international reserves (GIR),<sup>2</sup> and (iii) public and publicly guaranteed (PPG) external debt (for LIC DSF users) or public external debt (for MAC SDRSF users); and
  - **Three flow indicators:** projected annual debt service to the Fund relative to (i) fiscal revenues (excluding grants for countries using the LIC DSF), (ii) exports of goods and services, and (iii) PPG external debt service (for LIC DSF users) or public external debt service (for MAC SDRSF users).
- ii. **Two cross-section charts:** these focus the analysis on the highest peak credit indicators for the above metrics,<sup>3</sup> (i.e., the two most elevated of the six metrics listed above) and compare these indicators to a subset of past financing programs with top exposures.

---

<sup>1</sup> If a country team believes other metrics are more relevant, the dashboard can be adjusted. Nevertheless the eight metrics listed here should be retained, and the alternative metrics should draw from the indicators already embedded in FIN’s dashboard.

<sup>2</sup> For members of currency unions, GIR could be based on imputed reserves.

<sup>3</sup> The control group of countries with top exposure levels consists of the top quartile of past exposures.

## Comparator Groups

**3. The baseline comparator group for the CtR dashboard is based on all approved UCT-quality disbursing programs supported by GRA or PRGT arrangements over the most recent decade.**<sup>4</sup> This sample period includes a sufficiently large number of Fund arrangements for meaningful comparison and it includes enough observations for constructing alternative control groups.<sup>5</sup> It also captures shifts in Fund financing, including recent years' rising trend in Fund exposure.

## Elevated Levels of Fund Credit Exposure

**4. The dashboards illustrate median and interquartile ranges for the control group.** For RST borrowers also requesting GRA or PRGT financing or already with a GRA or PRGT arrangement in place (or a blend PRGT/GRA program), the exposure metrics enable a cross-country comparison against previous borrowers. In general, CtR risks would be deemed at acceptable levels if projections for all CtR indicators lie below the 75<sup>th</sup> percentile of the respective metric, while levels above the 75<sup>th</sup> percentile would require a deeper analysis. The dashboards should not be interpreted mechanistically but inform judgment, understanding that high access under the GRA may also be associated with access under the exceptional access framework, which entails additional scrutiny.

**5. Comparison of the country under assessment against benchmarks should be combined with staff's judgment informed by the macroeconomic-framework, DSA, risk matrix, and other relevant analysis.**<sup>6</sup> Country teams should complement the information provided by the tool with their own country-specific knowledge and judgment to come to an overall assessment of the risks implied by comparatively high exposure metrics. For instance, small and/or temporary deviations above the triggers do not necessarily indicate elevated CtR risks, or there may be mitigating circumstances. On the other hand, absence of metrics exceeding the 75<sup>th</sup> percentile does not necessarily imply absence of elevated risks and could still require a more careful assessment, including when the outlook is highly uncertain and risks to the program are tilted to the downside,

---

<sup>4</sup> Approved RSF arrangements will be included in the future as the database is updated.

<sup>5</sup> An additional comparator group (e.g., fragile and conflict-affected states (FCS) and presumed blenders) could be considered to supplement the general comparator group, but should be used rarely. In such cases, the use of these additional comparator groups should be communicated to FIN staff by the time country teams share the data for the preparation of the CtR dashboard and should be justified in the program documents.

<sup>6</sup> Judgment can be particularly useful when CtR metrics convey mixed signals (e.g., the observations for the same CtR indicator could lie above the 75th percentile in some years and below in others); borderline cases (e.g., observations for a CtR indicator could lie above the 75th percentile for several years but by a small margin); or in programs requiring debt restructuring, in which case the path of PPG external debt (or public external debt) and debt service may be subject to large uncertainty at program inception.

or when small outstanding Fund credit and Fund debt service ratios are a by-product of very high levels of total debt and debt service.

### Expanded CtR Analysis

**6. In cases where elevated metrics of Fund exposure combined with staff judgment indicate high CtR risks, the SR should discuss the severity of the risks and explain how the design of the RSF and concurrent UCT instrument seek to mitigate these risks.** The CtR paragraph should draw from the information conveyed in the applicable CtR dashboard, together with information from the standard CtR Table (see below sample CtR write-ups for PRGT and GRA arrangements for reference). This expanded analysis should particularly focus on the CtR indicators pointing to elevated levels of Fund exposure. For instance, it could elaborate on the drivers of elevated CtR ratios relative to the control group; the size of elevated ratios; the duration of such levels above the 75th percentile; and the economic significance of the identified risks. The analysis could also draw attention to risks associated with the authorities' willingness and ability to implement reforms needed to strengthen CtR.

**7. The expanded CtR analysis should explain how the design of the RSF and concurrent UCT instrument mitigate the risks.** This could include:

- **Access and Strength of Reforms.** Does the proposed access level in the RSF and the concurring UCT arrangement keep Fund exposure at manageable levels? Is the strength of reforms under the RSF and concurrent UCT instrument commensurate with access levels?
- **Phasing.** Is the phasing of reforms under the UCT-instrument commensurate to the phasing of disbursements, or are disbursements frontloaded while reforms are not?
- **UCT program.** Are there good prospects that program targets and policies will be achieved during the proposed timeframe to help reduce elevated CtR ratios?
- **Country-specific factors.** These can include considerations such as the size of contingent liabilities, the prospects for growth (or depletion) of natural resource revenues, and burden-sharing with other official creditors. The existence of prior calls on the availability of foreign exchange that could weaken the capacity to repay the Fund (e.g., earmarked revenue or exports proceeds, escrow accounts, collateral) could also be noted and the relevant economic metrics could be adjusted accordingly.<sup>7</sup>

**8. The CtR paragraph in program documents, including all program and RSF arrangement requests, augmentations and reviews, should include a bottom-line assessment of a country's capacity to repay the Fund.** The bottom-line assessment should be referenced in

---

<sup>7</sup> These metrics could be adjusted to reflect their unencumbered values. For instance, if a country has pledged resources under commodity-backed debt arrangements, the pledged flows and stocks could be subtracted from the original amounts of the corresponding metrics (e.g., Table 9 in the SR for Angola's 2018 EFF request).

the topic sentences. Furthermore, the assessment, which should inform a country’s program design and the level of access to Fund resources, must also reflect the balance of CtR risks. For a program request to move forward, CtR must be assessed to be at least “adequate.” In cases of elevated but still acceptable/manageable CtR risks, the bottom-line assessment should be conditional on the balance of risks, e.g., “CtR is adequate but subject to significant downside risks.” Lastly, in cases where CtR is deemed weak, the request for a Fund-supported program should not move forward unless the program includes clear measures that would restore the member’s CtR to at least adequate, even if significant risks remain.

**9. The CtR dashboard should typically be based on the baseline macroeconomic scenario but should include information on downside scenarios where applicable, including in precautionary settings.** The dashboard would typically be based on the baseline scenario underpinning the proposed program. However, the dashboard and the CtR write-up could elaborate on downside scenarios if these are included in program documents and a financing arrangement is incorporated in that scenario.<sup>8</sup> For all precautionary arrangements, the CtR dashboard and the standard CtR table should be based on a downside macroeconomic scenario.

**10. Revisions to the macroeconomic framework during the internal review process for new RSF requests or augmentations would necessitate a revised CtR analysis.** If the macro-framework is revised during the internal review process and/or the access level and phasing are changed, the CtR dashboard, the standard CtR table, and the CtR assessment should also be revised accordingly and reflected in the revised program document.

**11. Data sharing for CtR dashboards.** Country teams, in collaboration with FIN, are responsible for preparing CtR dashboards using data provided by country teams. This data should be shared with FIN as soon as the framework is finalized (at a minimum one day before program documents are posted on eReview, allowing FIN time to prepare the CtR dashboard) and using an automated data transmission system within the Common Surveillance Database (CSD) platform. If projections are revised, the data should be shared via CSD during the internal review process and teams should allow at least one day for FIN to reproduce the revised dashboard.<sup>9</sup> For guidance, teams can contact FIN-CTR@imf.org.

### Sample Write up for Capacity to Repay Paragraphs

**12. PRGT borrower example.** Country X’s capacity to repay the Fund is adequate and the authorities’ track record of servicing IMF debt is strong. Total Fund Credit Outstanding is mostly below or at the bottom of the interquartile range for PRGT borrowing countries, peaking in 2026 at SDR 3.6 billion, equivalent to 0.8 percent of GDP (6.0 percent of exports of goods and services or

<sup>8</sup> Further details are found in [Poverty Reduction and Growth Trust—Guidance Note on New Enhanced Safeguards for Debt Sustainability and Capacity to Repay \(imf.org\)](#), (paragraph 22-23).

<sup>9</sup> The data underpinning the samples of control groups will be updated annually by FIN. This update will incorporate all respective UCT programs (GRA, PRGT, RST) approved in the previous calendar year.



about 10.0 percent of gross Foreign Exchange (FX) reserves). Total obligations to the Fund peak at 0.1 percent of GDP (0.5 percent of exports of goods and services or 1.0 percent of gross FX reserves) in 2024. The risk of debt distress is assessed to be low, and the debt outlook is expected to remain sustainable.

**13. GRA borrower example, precautionary arrangement.** Country X's capacity to repay the Fund is adequate. Debt outstanding and debt service to the IMF in a purchase scenario would make credit outstanding reach around 520 percent of quota (320 percent of quota excluding the RSF) or 3.3 percent of GDP in 2024 (Figure 1, Panel A). Debt service to the Fund, including resources drawn under the RSF, would peak at SDR 264.2 million (about 0.5 percent of GDP; Figure 1, Panel B). [Country X's] largest peaks for both credit outstanding (in percent of GDP) and debt service to the Fund with RST resources are [at/above] the [75<sup>th</sup>] percentile of comparators (Figure 1, Panel C). Over the longer term, risks are mitigated by [for example: comment on the authorities' commitment to structural reforms, macro policies, and international reserves in terms of the ARA metric in the projection period]. The program is fully financed (without RSF disbursements) over the next 12 months, with good prospects for the remainder of the program.

**Figure A.III.1. Country X: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries**

(In Percent of the Indicated Variable)



**Notes:**

- 1) T = date of arrangement approval. PPG = public and publicly guaranteed.
- 2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
- 3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2012 and 2022.
- 4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
- 5) Comparator series is for PRGT arrangements only and runs up to T+10.
- 6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
- 7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

## Annex IV. DSAs in Joint RSF-UCT Programs

**1. Debt sustainability is a key qualification for accessing the RST.** RSF arrangements can only be approved if debt is assessed as sustainable under the applicable debt framework: LIC-DSF (non-market access countries) or MAC-SRDSF (the Sovereign Risk and Debt Sustainability Framework for Market Access Countries). The LIC-DSF<sup>1</sup> and SRDSF<sup>2</sup> Guidance Notes remain the governing guidance on interpreting the long-term impact of climate risks in the DSA. Within these frameworks, given the longer maturity of RSF loans, the debt sustainability analysis in RST financing requests needs to assess long-term implications of climate change, including climate-related policies, and, more generally, pay attention to debt vulnerabilities over a longer time horizon.

**2. A discussion of longer-term risks to debt sustainability, with a focus on country-specific climate-related risks and policy action, is required in DSAs for RSFs.**<sup>3</sup> The focus of the RSF is to support policy reforms to help the member country make progress toward reducing risks related to the longer-term structural challenges. When the challenge is climate change, the MAC SRDSF and LIC-DSF analyses should consider: (i) the risks of climate-related natural disasters and effects of slow-moving, long-term shifts in climate; and (ii) any relevant information on the impact of climate-related spending on adaptation and/or mitigation and other climate policies, including on long-term growth and the primary balance, as well as their financing mix (e.g., DRM, grants, domestic/external loans). In general, DSAs should be internally consistent by considering the negative effects of climate change and, where applicable, the positive effects of climate policies and should clearly specify the assumptions and adjustments made. The writeup should indicate if the baseline assumptions are aligned with the authorities' climate-related investment plans or whether adjustments have been made because staff views the plans as unrealistic. Climate change risks included in the baseline could affect the mechanical risk rating in the LIC-DSF.<sup>4</sup> Country teams are expected to make full use of the tools, flexibility and customization potential of existing frameworks to discuss: (i) adverse effects on debt sustainability related to climate change; (ii) potential costs and benefits of climate-related investments and policies; and (iii) where applicable (e.g. hydro-carbon exporters) debt sustainability implications of global decarbonization efforts. Both the MAC-SRDSF and the LIC-DSF already provide tailored stress tests for natural disasters (triggered as per the corresponding DSA guidance notes) to capture risks associated with one-off climate events over the medium term.

---

<sup>1</sup> IMF (2018) and IMF (2024).

<sup>2</sup> IMF (2022).

<sup>3</sup> Such discussion could be included in the write-up of LIC DSAs or in the commentary box for long-term modules of MAC SRDSAs.

<sup>4</sup> In those cases, country teams should engage early on in discussions with country authorities, including on the realism of underlying assumptions and financing sources.

**3. Alternative scenarios are encouraged, though not required.** Work on alternative scenarios would not only provide a more thorough assessment of longer-term debt sustainability, but also inform the general macroeconomic discussion in SRs. Alternative scenarios should reflect costs and risks from climate-related natural disasters and climate change over the longer term, as well as the effects of adaptation and mitigation investments and policies. Analysis of debt sustainability under these scenarios should be anchored in the relevant DSF, with illustrative figures typically showing the full 20- or 30-year horizon, but could be complemented by other analysis the team sees fit, for instance, by using stand-alone, climate-change macro models and tools that can inform macro assumptions in the baseline or in alternative scenarios, and where possible, benchmarking parameters to other countries in similar circumstances. More details for each relevant DSF is provided below.

### Market Access Countries

**4. For market access countries, the long-term modules provided with the MAC-SRDSF (IMF, 2022) are required.** The modules on climate change, large amortizations, and demographics, under the new MAC-SRDSF are required for program documents with a concurrent RSF arrangement, while the natural resource scale-up/depletion module remains optional. (Details are found in the MAC SRDSF Guidance Note).

**5. The SRDSF’s Climate Change module is the workhorse to analyze the impact of climate change in market access countries.** The tool consists of two sub-modules: (i) the adaptation sub-module, which assesses the impact on debt sustainability of public investment in adaptation, which involves the costs of building resilience to the effects of climate change and the benefits to growth from such resilience; (ii) the mitigation sub-module, which involves the impact of public investment required to meet the government’s targets on greenhouse gas emissions to limit increases in temperatures. The objective of the two sub-modules is to inform judgement on debt-related risks arising from the long-term impact of climate change and the policy commitments (or recommendations) to address it.

**6. Users are encouraged to design a customized scenario, to complement the standardized scenario already available.** This would allow teams to adjust the assumptions to country-specific characteristics. They could also be used to show how alternative climate policies (including agreed RMs) can impact debt sustainability, including through their impact on growth and the primary balance.

**7. The key outputs from both sub-modules are extended projections for debt-to-GDP and Gross Financing Needs (GFN)-to-GDP, which can be used to inform the long-term risk assessment.** Since there is substantial uncertainty about the future evolution of climate change and its impact on sovereign risks, this assessment would be qualitative (as with the other long-term modules). When designing scenarios and drawing out long-term implications for debt, teams are encouraged to leverage relevant analysis from the IMF’s CPD, WB’s CCDR, or other country-specific work.

## Non-Market Access Countries

**8. The LIC Debt Sustainability Framework (LIC-DSF) already requires a macroeconomic framework for a 20-year projection period (elaborated in the LIC DSF Guidance Note (IMF, 2018)),** providing debt and debt service projections for the full repayment horizon of RST financing.

**9. The 2024 Supplement to 2018 Guidance Note on the Bank-Fund LIC DSA (IMF, 2024) provides further guidance and practical examples on how to account for the impact of climate change, and for climate-related investments and policies in the debt risk assessment.** The write-up in DSAs accompanying RSF reports should elaborate on how they are incorporated in the analysis, including (see IMF, 2024 for further details):

- How the effects of slow-moving, long-term shifts in climate and changes to the frequency and intensity of extreme weather events affect the baseline. This should include: (i) whether positive effects from climate-related investments on resilience and growth are part of the baseline, and (ii) whether baseline assumptions are aligned with authorities' declared climate plans or adjustments have been made because of staff views on the realism of these plans. Results from stand-alone climate-change macro models and tools can be used to inform macro assumptions in both baseline and alternative scenarios.<sup>5</sup> The use of alternative scenarios is encouraged, though not required.
- The discussion should also cover whether and how the impact of extreme weather events on the volatility around the baseline debt sustainability scenario is reflected in the analysis. The analysis can be informed by the results from the tailored natural disaster stress test and/or the customized stress tests on external and overall public debt.

**10. Climate change risks and policies are reflected in the DSA either by triggering mechanical risk signals in either the baseline or in stress scenarios, or through the use of judgment.** The latter can be applied directly or indirectly by extending the relevant time horizon of the risk assessment from 10 to 20 years, allowing more time for baseline threshold breaches to manifest. When the analysis points to an upward debt trajectory over the longer horizon or if there are breaches of thresholds in the baseline or stress tests in years 11-20 of the DSA, consideration can be given to change the debt risk rating when (i) the breaches are expected to be large, persistent, and thus resulting in significant differences relative to historical averages; and (ii) occur with a high probability despite occurring in the distant future. The DSA should clearly explain a rating change informed by such a breach, including by discussing why the breach can be expected to be large and persistent, and occur with high probability. In these cases, the DSA figures can show the 20-year horizon in addition to discussing longer term implications of climate measures. In all cases, the DSA tables already report the debt indicators in the 11th and 20<sup>th</sup> years, giving an indication of the trajectory of the debt and debt service indicators.

---

<sup>5</sup> See Box 1 of the 2024 Supplement to 2018 Guidance Note on the Bank-Fund LIC DSA (IMF, 2024) for examples of the use of those models in debt sustainability analysis.

## References

- IMF, 2018, “Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries”. IMF Policy Paper and WB Board Report, available at: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf> (Washington: International Monetary Fund and World Bank).
- IMF, 2022, “Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for Market Access Countries”. IMF Policy Paper No.2022/039, available at: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2022/08/08/Staff-Guidance-Note-on-the-Sovereign-Risk-and-Debt-Sustainability-Framework-for-Market-521884> (Washington: International Monetary Fund).
- IMF, 2024, “Supplement to 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries”. IMF Policy Paper No.2024/039 and WB Board Report 192885, available at: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2024/08/05/Supplement-to-2018-Guidance-Note-on-the-Bank-Fund-Debt-Sustainability-Framework-for-Low-553151> (Washington: International Monetary Fund and World Bank).

## Annex V. Examples of Strong RMs for Climate

*This annex provides an illustrative and non-exhaustive set of examples of strong reforms consistent with the principles set out in ¶128. It also outlines the channels through which strong reforms could help catalyze private finance.*

### Climate Mitigation and Transition Policy

- **Putting a price on carbon.** Explicit carbon pricing (carbon taxes and ETSs) is widely considered the most effective instrument for reducing emissions as it elicits the full range of behavioral responses for reducing energy use and shifting to cleaner fuels. This could be introduced economy-wide or in sectors that would account for most of emissions. To date, 49 carbon pricing schemes have been put in place at regional, national, and sub-national levels.<sup>1</sup> Carbon pricing can take different forms, including carbon taxes, emissions trading systems, feebates, environmental fiscal reform, and excises on fossil fuels. Carbon pricing policy should be ambitious (accounting for effective rates/coverages and exemptions). Revenue recycling mechanisms could be considered to minimize adverse social and economic impacts, including strengthening the social welfare system, reducing distortionary taxes, and productive investments.
- **Fossil fuel subsidies reform.** Phasing out government support to fossil fuels can play a significant role in climate mitigation. For example, RMs can include automatic fuel price and electricity tariff adjustments to reflect cost changes. Furthermore, such reforms should account for the energy sector's financial sustainability, energy/electricity affordability, and distributional effects and should be accompanied by targeted social assistance and public transport subsidies, when needed.
- **Sectoral mitigation policy.** Sectoral measures may be proposed to support climate mitigation. Feebates and tradable performance standards are considered effective and efficient policy tools. Other potential measures include, for example: (i) incentives to promote renewable energy investment (feed-in-tariffs, net-metering/billing and gross metering, investment and production tax credits for renewable and battery storage, renewable portfolio standards, and regulatory changes to allow distributed generation); (ii) standards and regulations to support energy efficiency improvements in the end-use energy sectors such as buildings, industry, and transport; (iii) regulatory reform to promote the adoption of electric vehicles and private investment in charging stations; (iv) coal decommissioning or phase-out coupled with social transition measures; and (v) incentives to reduce emissions in the agriculture, land-use, forestry, and waste sectors.

---

<sup>1</sup> International Monetary Fund. "Climate Crossroads: Fiscal Policies for a Warming World," *Fiscal Monitor*, October 2023.



## Climate Adaptation Policy

- Fiscal policy tools can be deployed to promote climate adaptation and resilience, and there are emerging good practices around the world.** Adaptation RMs should aim to enable large-scale climate-resilient investment, promote efficient private adaptation, and strengthen social safety nets. For example, RMs may include pricing instruments, market mechanisms/reforms, and fiscal incentives for adaptation. These may encompass natural resource/water pricing, establishment of water markets, tax incentives to promote adaptation (provided they are well-targeted and their effectiveness is periodically reviewed),<sup>2</sup> removal of implicit and explicit subsidies to private risk taking (e.g., subsidized flood insurance), payment for environmental protection services, social programs targeting the most vulnerable, among others. Adaptation reforms can overlap with countries' broader development agendas, particularly in the areas of clean water, sanitation, agriculture, and infrastructure; and can have synergies with reforms to strengthen institutions and promote better public investment management and infrastructure governance.
- Risk management.** Measures may be proposed to address climate-related risks and adopt instruments that help transfer and distribute risks. Managing climate risks should be done in the context of the overall national disaster risk management and financing strategy and may involve measures such as the provision of adequate fiscal/financial buffers, contingent financing, insurance for public assets, catastrophe insurance, and weather insurance.<sup>3</sup> Providing sufficient information and equipping governments/individuals/ investors with capacity to adapt are also essential. In this regard, RMs may involve the implementation of a tool/framework for quantifying fiscal risks from climate change, establishment of data repository on infrastructure assets at risk,<sup>4</sup> operationalization of an early warning system, as well as the development of data infrastructure and decision-support tools to disseminate key weather/climate data and information on climate-related risks and vulnerabilities.

## Enabling Institutions

- Making infrastructure green and resilient.** Integrating climate considerations in the public investment management process and infrastructure investment cycle is critical to achieving climate adaptation and mitigation objectives. The [C-PIMA](#) is the Fund's main diagnostic tool for assessing a country's progress and has been utilized in several RSF programs to inform RM design. FAD's [note](#) "Use of RST to support climate smart public financial management and

---

<sup>2</sup> These include, for example, tax benefits for desalination investment, stormwater retention ponds, resilient buildings, and taxation on the use of public natural resources.

<sup>3</sup> Reforms to support the development of insurance markets need to take into account that (i) initial insurance penetration is generally extremely low in the RSF-eligible countries and (ii) the insurability of climate-related events can be difficult, even in advanced economies.

<sup>4</sup> The C-PIMA provides an assessment of infrastructure risk management, and the Green PFM framework offers guidance on the incorporation of climate-related fiscal-risk analysis in a government's fiscal risk framework.

public investment management” can guide RM formulation in this area. RMs based on C-PIMA diagnostic include, for example, aligning public investment plans with the NDC goals, integrating climate-related risks in land-use and urban regulations, incorporating climate adaptation and mitigation requirements in project appraisal and selection processes, making the PPP framework climate-responsive, and reflecting climate risks in asset management and project implementation. While C-PIMA based RMs are process-oriented in nature, they can have a significant impact on the effectiveness of climate investments in practice.

- ***Incorporating climate in the fiscal and budget frameworks*** including climate considerations in the macro-fiscal framework and budget processes (including public investment planning) can facilitate climate-friendly policymaking and reporting on climate-relevant spending. An [FAD Climate Note on Green PFM](#) provides guidance on effective reforms that can support this process. Transparent reporting of climate spending, with continued technical assistance from the Fund, including on budget tagging, help increase access to official and private climate finance. It is crucial that the proposed reforms, including any legislative amendments, are coherent with the country’s capacity and its broader institutional reform roadmap, especially in LIDCs and FCSs. Examples of RMs in RSF programs include integration of climate elements in medium and long-term macroeconomic frameworks, development and implementation of climate budget tagging systems, and putting in place frameworks for green public procurement.

## Financial Sector Reforms

- **Green financing and incorporating climate in financial sector risk assessments.** Better understanding and management of climate-related risks will enhance financial sector resilience and help scale up private climate finance. The authorities could consider conducting a diagnostic exercise to establish a climate change Risk Assessment Matrix (C-RAM) that describes key climate risks, their potential macro-financial impact and transmission channels. Potential RMs in this area include: (i) implementing a green bond/green taxonomy framework; (ii) establishing sustainability-linked bonds frameworks and the associated key performance indicators frameworks; (iii) implementing climate risk disclosure; (iv) establishing a data repository on physical risk (projections of frequency and intensity of hazards and their damages), transition risk (individual corporates’ data on emissions), and bank exposures to these risks; and (v) integrating climate change into the corporate governance of banks (in the fiduciary duties and accountability mechanisms for board members and senior managers). Climate risk stress testing for financial institutions and systems could be considered once gaps on climate and bank

exposure data have been addressed and standard stress testing framework is in place.<sup>5</sup> RMs in this area should be formulated in accordance with international standards.<sup>6</sup>

## The Catalytic Potential of Strong Reforms

- **Mitigation and transition reforms.** Carbon taxes and fossil fuel subsidies reforms can help redirect private investments from fossil fuels to clean energy, by shifting their relative prices and expected returns. These policies also have the potential to accelerate private financing in other sectors, such as production and adoption of electric vehicles. Directing some of the budgetary savings from fossil fuel subsidies reform to supporting an enabling environment for renewable energy investments would further accelerate private climate-related financing flows. Other sectoral measures can help reduce regulatory frictions, improve risk-return profiles, and lead to a more consistent pipeline of projects, which will broaden the investor base for EMDEs.<sup>7</sup>
- **Adaptation reforms.** Climate adaptation reforms such as water pricing, water market reforms, and fiscal incentives are expected to promote private sector adaptation investments (e.g., investments in water-efficient technologies, climate-resilient buildings, and increased private sector participation). Better risk management and the use of risk-sharing facilities and guarantees can help reduce risks associated with adaptation investments and mobilize private capital for adaptation and post-disaster response.
- **Institutional reforms.** Reform measures in this area provide an institutional foundation that enables climate-smart infrastructure investment across public and private sources. Climate-responsive fiscal and budget frameworks also improve access to international climate finance, as well as facilitate the mobilization of private sector finance. Where appropriate, a public-private partnership (PPP) approach can be used to leverage climate/green private finance,<sup>8</sup> while climate budget tagging systems can form a basis for the issuance of green bonds.
- **Financial sector reforms.** Addressing climate data gaps, reporting of exposure to climate-related risks, and broad climate diagnostic exercises support banks and financial

---

<sup>5</sup> Ideally, such stress testing frameworks could involve collaboration between climate scientists, economists, and financial sector experts.

<sup>6</sup> These include the Basel Committee on Banking Supervision, International Association of Insurance Supervisors, the International Organization of Securities Commissions, and the International Sustainability Standards Board. In practice, country teams will typically have to rely on support from functional departments to design RMs in this area while retaining a focus on the core objectives of financial regulation (e.g., financial stability).

<sup>7</sup> A limited pipeline of projects in many EMDEs is a major constraint that prevents scaling up of climate investments, even where the private sector is otherwise willing to invest. Some weaknesses are due to legal or regulatory frictions, which reduce investors' incentives to finance climate projects. Lack of a sizeable pipeline reduces diversification opportunities, discouraging institutional investors that need to maintain a diversified set of investments.

<sup>8</sup> PPPs usually result in higher financing costs, require complex tendering and careful contract management, and expose governments to significant fiscal risks. PPP processes need to be carefully managed, including fiscal risk management considering the long-term nature of PPPs and the complexity of risk-allocation agreements.

institutions in managing physical and transition risks and help them steer private investment towards risk-adjusted climate investments. High-quality, reliable, and internationally comparable data help investors to make better-informed investment decisions and risk-return assessments. Adopting sustainable finance alignment tools, such as green taxonomies, make it more efficient for investors to identify sustainable assets which would support the mobilization of private climate finance.

## Annex VI. The Enhanced IMF-World Bank Group Cooperation Framework for Scaled-Up Climate Action

*The enhanced IMF-World Bank Group Cooperation Framework for Scaled-Up Climate Action (“Framework”) aims at leveraging IMF and the World Bank Group (WBG) analytics, technical assistance, financing, and policy expertise through a coordinated engagement and integrated country-led approach based on the comparative advantage of each institution, with an initial focus on climate financing operations and Technical Assistance and Capacity Development. This Note intends to provide additional operational guidance to WBG and IMF teams in the context of a country’s expression of interest in a Resilience and Sustainability Facility (RSF) arrangement or a WBG climate financing operation, building on a set of good cooperation practices implemented by country teams and lessons learned in the context of recent climate operations. The request to consider operations under the Enhanced Cooperation Framework should be at the discretion of country authorities. However, whenever feasible and deemed appropriate by the IMF and WB staff, both institutions will pursue as deep a cooperation as possible. The Framework will be initially piloted in a limited set of country cases where both the Bank and the Fund are involved, with the consent of the authorities. The Enhanced Cooperation Framework would add the following key features to RSF operations.*

### **Knowledge**

1. **Country authorities, the WBG and the IMF should jointly identify the key climate challenges the country is facing and the key climate objectives/reform areas that support the country’s climate strategies. This requires:**
  - **A more systematic engagement with WBG with strong ownership of reforms by the country authorities.** Country ownership is key to successful reforms; engagement between the Fund, the WBG and the authorities on climate policies should start as soon as feasible, and well ahead of any expected climate financing operation.
  - **A Table summarizing the joint IMF-WBG-country authorities’ assessment of climate priorities and policy reform objectives.** Such a Table should be included in Policy Notes (PNs) and Staff Reports (SRs) of the RSF arrangement request (Annex VI. Table 1).

**Table A.VI.1. Illustrative Example of Jointly Identified Challenges and Reform Objectives**

KEY CHALLENGE/ HIGH-LEVEL AUTHORITIES OBJECTIVE	DIAGNOSTIC REFERENCES	AUTHORITIES' PRIORITIES / POLICY RECOMMENDATIONS	KEY IMPEDIMENTS	PROPOSED RESPONSIBLE ENTITIES	READINESS/ URGENCY
<b>LARGE AND GROWING SHARE OF ROAD VEHICLE EMISSIONS</b>	WB CCDR and IMF CPD recommend a change in the legal framework	Institutionalizing fuel price setting, eliminating discretionary decisions. Expected to reduce road transport emissions by about 6% per year.		Ministry of Finance  Prime Minister Office  Ministry of Environment	
	CCDR and Country Diagnostics from the Ministry of Transport	Encourage increase in the share of electric vehicles and low emissions vehicles.		Ministry of Economy and Planning  Ministry of Environment	

**2. Each institution would retain and administer its own diagnostic tools, but close dialogue is key.** Country diagnostics should be prepared consistently with each institution's respective internal policies and informed by available documents and direct in-country expertise from each institution, and from other reputable sources as deemed fit by country teams and supporting Functional Departments. When timelines for individual diagnostics are not aligned, or when many of them are far from completion or absent, it would be crucial to ensure the flow across institutions of preliminary information on the climate policy assessments or on policy options/recommendations. To facilitate the exchange of information across departments and institutions, a matrix of the key topics and relevant counterparts will be regularly updated both from the IMF and the WB side.<sup>1</sup>

**3. Differing assessments or policy recommendations should be duly noted.** As each diagnostic is administered independently, conclusions and recommendations may differ. Each institution may also differ in their preferred policy lever (e.g. carbon pricing vs carbon credits). In such cases, it should be the authorities that decide the most suitable avenue and support for reform implementation based on the full set of information and recommendation from both institutions.

<sup>1</sup> The updated list of contacts is available [here](#).

However, the authorities and country teams should be mindful of the potential impact on the sequencing of jointly agreed reforms.

### ***Design And Articulation of Operations***

#### **4. The Enhanced Cooperation Framework would require:**

- **A more systematic engagement with WBG with strong ownership of reforms by the country authorities to RSF operations.** Country ownership is key to successful reforms; engagement between the Fund, the WBG and the authorities on climate policies should start as soon as feasible, and well ahead of any expected climate financing operation.
- **A Joint Timeline of Proposed Reforms and Synergies (Joint engagement matrix).** IMF and WBG country teams, in close engagement with the authorities, should prepare a joint engagement matrix identifying, for each reform area: financial support, technical assistance needed, and other development partners' involvement, and formulate a joint timeline of proposed reforms (Table 2). This table will replace Tables 1 and 2 currently part of RSF documentation requirements per ¶41 of the RSF Guidance Note.

**Table A.VI.2. Illustrative Timeline of Proposed Reforms and Synergies**

REFORM AREA 1: ENERGY					
<b>AUTHORITIES' PRIORITIES</b>	Fossil fuel subsidies reform	Power sector reform	Fiscal policy to support decarbonization	Scaling up renewable energy/finance	Energy efficiency measures
<b>TENTATIVE TIMELINE</b>	2024	2024	2025	2025	2026
<b>ONGOING AND PLANNED WBG SUPPORT</b>		WB DPO		Based on CPF, potential new IPF on solar.	P4R
<b>IMF RSF SUPPORT</b>	RM1		RM2, RM3		
<b>OTHER DEVELOPMENT PARTNERS SUPPORT</b>				AfDB, EIB	
<b>SUPPORTING TA/CD</b>			IMF	EU	WBG



**Operational implications**

**5. Each institution should remain responsible for updating the collaboration matrix when they need to do so to go to their Board.** In doing so, they should seek inputs from the other institution on their latest plans or recently approved operations, as relevant. In this way the matrix/framework can be updated formally and independently at any successive Board meeting (or other relevant decision point) of each institution, taking the other institutions' latest operations as given. In no way would the SR for RSF approval bind the WBG to pre-commit to any operations. Similarly, any WBG Board decision on a Bank's operation may benefit from circulating a joint timeline of proposed reforms and synergies but would not pre-commit the IMF to support reform measures under the RSF exactly as formulated in the timeline of proposed reforms and synergies. The SR would include a brief update on the implementation of the enhanced framework in the country.

**6. It is recommended that each institution gives fair warning to the other in case of any expected changes to their engagement.** This would allow sufficient time for coordination with the authorities and preparation for the next Board engagement. Any relevant change to the supported reforms, from either side, will be communicated to staff of the other institution, copying IMF/SPR and WB/OPCS. Each review under an RSF arrangement would report on any relevant change in WBG operations and pipeline since the last RSF review that have implications for the implementation of reform measures (RM).

## Annex VII. Applying the 2018 Framework for Enhanced Engagement on Governance in RSF Context

*This annex describes how country teams can promote improved design and implementation of RSF-supported reforms by considering governance and corruption issues, guided by the [2018 Framework for Enhanced Fund Engagement on Governance](#). If governance weaknesses and corruption vulnerabilities exacerbate the risks associated with qualifying structural challenges—including by undermining the RSF’s catalytic role for private climate finance—teams could consider the inclusion of governance-related conditionality to address these vulnerabilities. Structural governance issues would be best addressed in the concurrent UCT-quality instruments. Governance and corruption measures that are specific and critical to reduce risks to prospective BoP stability stemming from the qualifying longer-term challenges could become part of the RSF reform package.*

### Identifying Governance and Corruption Issues

1. **The 2018 Enhanced Governance Framework guides the identification of governance vulnerabilities.** In line with this framework, a centralized process systematically identifies governance weaknesses and corruption vulnerabilities that warrant attention for every member country. Based on this assessment, country teams are expected to substantively discuss governance and corruption vulnerabilities that are sufficiently severe within the context of a medium-term surveillance cycle (normally within three years).<sup>1</sup> This discussion should provide a candid and granular analysis, as well as concrete policy advice. The results of this centralized assessment also inform country engagement strategies for FCS, program conditionality (subject to the conditionality guidelines), and CD priorities.
2. **Detailed resources are available to identify country-specific, granular information about governance and corruption issues that could guide development of Fund policy recommendations, program conditionality, and provision of capacity development:**
  - **Centralized Governance Assessment.** The Fund’s governance assessment is a framework that identifies critical governance weaknesses and corruption vulnerabilities across the entire membership, using quantitative and qualitative information from governance-related indicators as well as qualitative information from experts. Governance weaknesses are identified across six core state functions most relevant to economic activity: (i) fiscal governance; (ii) financial sector oversight; (iii) central bank governance and operations; (iv) market regulation; (v) rule of law; and (vi) AML/CFT. The severity of corruption is also identified.
  - **Brainstorming Sessions.** If the IMF country team sees value in conducting a deep dive into selected governance and corruption issues or would like to discuss any areas of interest, they are encouraged to request a governance brainstorming session with experts from functional departments and other specialized organizations such as the WB, as needed. Such a

---

<sup>1</sup> Box 13 of the [Guidance Note for Surveillance Under Article IV Consultations](#) discusses further.

brainstorming session can be requested ahead of policy note preparation for the RSF arrangement and the concurrent UCT-quality instrument, can feature governance issues critical to underpinning climate related measures, and the session’s results may be documented in a note.

- **Governance Diagnostics.** Country authorities can also request a governance diagnostic assessment. These exercises, which have been co-led by FAD and LEG, are subject to resource availability and typically include staff from other relevant Functional Departments (e.g., MCM and FIN). Governance diagnostic reports provide in-depth, country-tailored assessments of governance weaknesses and corruption vulnerabilities. They draw heavily on local knowledge and expertise and provide a prioritized and sequenced set of measures to address these vulnerabilities. Most of them are published.<sup>2</sup>
- **Country Engagement Strategies.** The 2022 Strategy for FCS requires CES to be produced in all FCS—with careful consideration for corruption as a potential driver of fragility, a prime constraint to escaping fragility, and a factor in governance and corruption challenges in the design of overall engagements and specific reforms.
- **Climate-related CD Reports.** Governance and corruption vulnerabilities specific to climate-related measures can be derived from pertinent technical assistance reports, including CPD, C-PIMA, Green PFM, and other CD reports related to specific climate-related matters such as carbon pricing, fossil fuel subsidies, or green tax reforms.
- **SRs including TA Reports.** For supplemental and more detailed information, staff can also leverage information from previous Article IV reports, which are expected to address severe governance weaknesses over a medium-term surveillance cycle (typically three years), program request and reviews, as well as TA reports such as the most recent FSAP, FSSR, PIMA, etc.

### How Governance and Corruption Vulnerabilities can Hamper Climate Policies

**3. The effectiveness of climate-related policies can be hampered significantly by poor governance and corruption, especially given their longer-term nature.** The longer-term nature of the climate change measures envisaged under the RSF makes them particularly vulnerable to governance issues such as, vested interests, incomplete or non-functional accountability systems, other institutional weaknesses, and the resulting lack of ownership by policy makers. Further, climate adaptation measures are often linked to significant public expenditures and public project financing, making them vulnerable to public investment management weaknesses which can lead to significant inefficiencies and corruption. Limited institutional competencies and coordination, lack of transparency and governance rigidities undermine policy effectiveness and the ability to effectively implement complex and high-value investments, leading to inefficient use of resources, promoting elite capture of government processes, and excessive influence of vested interests. The management

---

<sup>2</sup> Links to published governance diagnostics can be found on the [IMF’s Governance and Anti-corruption page](#).

and utilization of natural resources (e.g., mining, oil and gas, forestry, fishing) has not only serious implications for the environment but can also raise significant governance and corruption concerns.<sup>3</sup>

**4. In addition to the channels above, governance and corruption vulnerabilities have a deleterious effect on the catalytic role of climate financing.** Weak governance and widespread corruption, among other issues, could hinder private climate finance for climate investment, which the RSF supported reforms may otherwise help to catalyze. Governance reforms in the context of RSF arrangements and their accompanying UCT-quality instruments, especially in areas covered by the 2018 Enhanced Governance Framework, can help mitigate this risk.

### **Addressing Governance and Corruption Issues in the RSF Context**

**5. UCT-quality instruments should include governance and anti-corruption conditionality when critical to achieving program objectives.** Pursuant to the 2018 Framework, addressing governance and corruption vulnerabilities should be a condition for the use of Fund resources if, given the severity of governance vulnerabilities, it is assessed that addressing the identified vulnerabilities is of critical importance for achieving the member's program objectives.<sup>4</sup>

**6. Governance issues can be discussed and addressed within the 2018 governance framework.** In the fiscal area, the framework recognizes that institutional arrangements and practices to foster transparency, enhance public spending efficiency, and improve revenue administration all reduce the risks of leakage from funds. In line with the framework, governance issues for climate policies are widely covered in the areas related to procurement, public investment management, and natural resource management. Design of specific governance- and corruption-related measures should draw on available diagnostics (¶12), should be appropriately sequenced and prioritized according to the principle of parsimony in conditionality.

**7. Governance and corruption conditionality of a cross-cutting nature would fit well in the UCT-quality instrument accompanying the RSF arrangement, while governance measures that are specific and critical to achieving the RST purposes could become part of the RSF reform package.** Teams can apply a two-step approach: (i) Identify governance and corruption issues (section A) which can undermine effective implementation of RSF RMs or more generally contribute to macro-critical risks related to the qualifying longer-term structural challenges; (ii) Proactively engage with LEG and FAD on the design of appropriate governance and corruption measures to address these issues. The UCT-quality instrument accompanying the RSF arrangement would be the natural bedrock of broad governance reforms that would also support implementation of RSF reforms and prospective BoP stability (e.g., PPP frameworks). Governance-associated RMs

---

<sup>3</sup> For example, on the monitoring and auditing of: (i) the use of or proceeds from natural resources; and/or (ii) any provisions for site rehabilitation (which are commonly treated as deductible for CIT purposes) at the end of exploration/exploitation projects.

<sup>4</sup> The 1997 [Governance Policy](#) also stipulates that approval of a new program or completion of reviews could be suspended or delayed on account of poor governance, if it threatens the successful implementation of the program.

would be appropriate in the RSF reform package if specifically relevant for addressing the longer-term qualifying challenge. For example, in cases where corruption is assessed as severe and implementation capacity low, RSF-supported RMs could focus on the role of Supreme Audit Institutions (SAIs) to support accountability regarding climate investments and climate related spending.

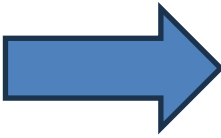
**8. Governance-related conditionality needs to account for country context.** For example, effectively addressing governance weaknesses in fragile and conflict-affected states requires consistent engagement over many years. Among other factors, Fund engagement should therefore account for the limited implementation capacity and incentives facing key stakeholders (political economy). For further details, please refer to the FCS GN (2022), Annex II.

**9. Capacity Development can enhance traction and effectiveness of governance related conditionality.** Well-sequenced CD to support effective implementation of governance measures can be critical to successful Fund-supported programs, especially in situations of limited resource availability or implementation capacity. This can be addressed through integration of pertinent CD offerings in the member's CD priorities, coordination with other CD providers, or within the program context.

## Annex VIII. Key Operational Considerations Related to the Broad Coordination Principles on Pandemic Preparedness With the WHO and the WBG

1. **Context.** The [Broad Principles for Bank-Fund-World Health Organization Coordination in Resilience and Sustainability Facility Arrangements on Pandemic Preparedness](#) in the context of Resilience and Sustainability Facility (RSF) arrangements supporting pandemic preparedness and response (PPR) provide a high-level framework for operational cooperation between the three institutions when eligible member countries request an RSF arrangement in support of their efforts towards strengthening their pandemic preparedness. The Principles provide an overview of the main areas of cooperation, clarify engagement modalities and explain reporting requirements to the IMF Board. This Technical Note further details operational guidance for Fund, WBG and WHO teams. The guidance herein may be updated as teams learn from early discussions with the WBG and WHO and with country authorities.
2. **Operationally, cooperation should start with diagnostics, analytics and data.** Fund staff will draw on existing country diagnostics, analytics and data, and on the operational experience of the WHO and the WBG, informed by the International Health Regulations (IHR 2005) Monitoring and Evaluation Framework, inclusive of the States Parties Annual Reporting (SPAR), the Joint External Evaluation (JEE) as well as the National Action Plan for Public Health Security (NAPHS), to assess the critical vulnerabilities and challenges to prospective BoP stability that reforms focusing on pandemic preparedness could address, supported by an RSF arrangement. Ideally, a recently completed (post-pandemic) comprehensive diagnosis of PPR will have been undertaken by the WHO or the WBG. However, no specific document is a prerequisite and teams may also need to draw on a range of other reputable sources (see ¶18 in the main guidance note). When adequate diagnostics are not available, or additional work is needed to transpose their findings into policy priorities, teams could use the below table to guide their discussions with the WBG and WHO counterparts, to agree on an early assessment of critical vulnerabilities and reform priorities (Annex VIII. Table 1, Panel A). Such assessment could be summarized in a short note to be prepared by the IMF country team ahead of the Policy Consultation Meeting (PCM) for the RSF arrangement request, which should then be annexed to the PN and to the SR.
3. **The design of pandemic-preparedness-related RMs should be guided by the principles outlined above in this GN and based on adequate analytical underpinnings.** Potential measures in key reform areas should be identified ahead of RSF design. The RSF arrangement should focus on implementing reforms rather than completing diagnostics or simply developing plans for reforms. RMs related to pandemic preparedness should be strong (i.e., critical, ambitious and deep), with limited, well-justified exceptions to depth and ambition criteria as discussed in this guidance note (¶29).
4. **Reforms supported by an RSF arrangement should be directly related to the qualifying longer-term challenge – in this case, pandemic preparedness.** Pandemic preparedness and general health system resilience are reform areas with significant overlap; however, the RST mandate

implies that staff should restrict their focus to RMs that have a clear, direct impact on the member's preparedness and prospective BoP stability.<sup>1</sup> Also, given the Fund's limited expertise on pandemics, sectoral RMs should be extremely limited and well justified. Table 1, Panel B provides some guidance on how Fund teams could steer their discussion with WBG/WHO counterparts when designing RMs.<sup>2</sup>

<b>Table A.VIII.1. Considerations to Guide Assessment Of A Country's Pandemic Preparedness Challenges And Specific Reform Discussions</b>		
<b>Panel A: Country diagnostics and early assessment</b>		<b>Panel B: Reform discussions</b>
		
Has diagnosis of pandemic preparedness been undertaken in the past 4 years?		Are the RMs aligned with the diagnosis?
What are the key issues and vulnerabilities that were identified in the diagnosis?		Are they aligned with the areas of IMF mandate, e.g. help address challenges to prospective BOP stability, identified in the RSF GN and this Annex
What key issues are part of reform areas within the RSF mandate?		Are they "critical", "deep" and "ambitious"?
What are recent, ongoing and planned WHO and WB operations in such reform areas?		Are the reform measures complementary to World Bank Group and WHO priorities and planned support?
<b>Conclusion:</b> Assessment of country needs, readiness, and technical assistance needs		

<sup>1</sup> The International Health Regulations (2005) are the primary international framework for the assessment of pandemic preparedness and the capacity of countries to respond to pandemics. It is comprised of 17 domains of prevention, preparedness and response (PPR, excluding chemical and radiation response). Within the 17 domains there are subcomponents. There is a process of self-assessment (SPAR) and peer assessment, Joint External Evaluation (JEE), to support improved practice over time. As explained in further detail below, RSF conditionality could be set only in a limited number of areas within the broader perimeter of the IHR.

<sup>2</sup> Should there be cases where assessment of priorities and needed reforms differ between the IMF, WBG and WHO, these should be duly noted in the Policy Note (PN), while Fund staff would retain the ultimate responsibility for setting RSF conditionality.



**5. To reduce complexity for country teams, this paragraph and Table 2 provide a list of potential reforms that, also based on discussions with the WBG and the WHO meet the necessary criteria and could be supported by an RSF arrangement.**

- The potential RMs align with: (1) the RST objectives and the Fund’s macro-fiscal mandate, (2) the capacity of the IMF to design, monitor and assess RMs, and (3) the fit with the pandemic preparedness objectives. In any case, to be included in an RSF program, RMs should have a clear rationale based on individual country circumstances, as evidenced by sound diagnostics. To help guide teams, these potential reforms have been mapped to the International Health Regulations (IHR).
- Given that the IMF has a strong capacity in public financial management (PFM), Table 2 focuses a possible list of PFM-specific reforms, which pertain to IHR Area 1 (“*Health emergency public financial management and Health emergency financing*”) and 2 (“*Emergency Coordination and Governance*”). This table is meant to be used as a guide, and there should be no expectation that the RMs presented there should be included in the arrangement if not suitable for the country context.

<b>Table A.VIII.2. PFM Reforms That Could Be Part of RSF Conditionality for Pandemic Preparedness<sup>1</sup></b>		
<b>1) Funding Allocation</b>	<b>2) Funding Disbursement</b>	<b>3) Expenditure Tracking and Accountability</b>
<p><b>A.</b> Update activation protocols for emergency/contingency funding mechanisms to ensure effectiveness in fund allocation and disbursement</p> <p><b>B.</b> Refine health budget structure and associated virement rules to facilitate the reprogramming of budget funds in case of health emergencies</p> <p><b>C.</b> Set up procedures to ensure coordination and transparency in cross-sectoral funding allocation and disbursement (involving multiple health and non-health entities) for emergency response financing</p>	<p><b>A.</b> Review and streamline emergency spending protocols and ensure readiness for adherence across administrative levels</p> <p><b>B.</b> Develop or update emergency procurement protocols with a specific focus on the purchase, including import regulations and tax rules, of health products and commodities</p> <p><b>C.</b> Ensure budget transfer modalities to subnational entities and service purchasers are effective to facilitate timely access to funding for the frontlines</p> <p><b>D.</b> Refine PFM regulatory frameworks to enable contracting with private service providers and streamline the hiring process for surge capacities (e.g., to support diagnostics, contact tracing, immunization campaigns)</p>	<p><b>A.</b> Incorporate an emergency spending tagging mechanism into existing Financial Management Information System (FMIS) processes or similar systems (consolidating reporting of emergency-related expenditure from various funding streams)</p> <p><b>B.</b> Develop online, user-friendly platforms to ensure transparency and accountability in emergency/pandemic response spending for the general population</p> <p><b>C.</b> Set up procedures for real-time tracking and auditing for emergency and reprioritized resources to reduce risks of funds misuse and fraud.</p>
<p><sup>1</sup> These potential RMs align with IHR Area 1 (“<i>Health emergency public financial management and Health emergency financing</i>”) and 2 (“<i>Emergency Coordination and Governance</i>”).</p>		

- Additional admissible RMs tailored to country-specific needs and circumstances also include selected measures related to IHR Area 1:
  - *Establishing Emergency Response Financing Mechanisms:* Set up contingency funds at the national level that can be rapidly mobilized during emergencies. These funds should be supported by international financial institutions and aim to cover immediate needs such as the procurement of medical countermeasures, strengthening surveillance and laboratory capacity, improving emergency coordination mechanisms, protecting communities, and scaling healthcare services.
  - *Integrating Health Security Budgeting:* Incorporate pandemic preparedness into national budgets, with clearly defined allocations for public health infrastructure, stockpiles, and emergency response capacities. Develop fiscal policies that enable rapid scaling of funds during pandemics, including the use of social bonds, insurance mechanisms, and multilateral funding windows.

**6. In limited, well-justified cases, additional reforms, listed below, can be supported by RSF conditionality.** The conditions for inclusion, to be assessed on a case-by-case basis, include that: (1) it has been clearly identified in the diagnosis or other documents as a critical priority to strengthen pandemic; (2) should the authorities need support to implement the RM, such support is available from the IMF, WBG, and/or WHO; (3) the RM is designed in such a way that it can be independently assessed by the IMF. Note that some measures related to IHR Area 2 (“*Emergency Coordination and Governance*”) could meet these criteria given certain country circumstances; in particular, a lesson from COVID-19 was that strong emergency coordination and governance arrangements were important for the success of country responses. The development of coordination, governance approaches, and the passing of legislation can usually be monitored by Fund staff. Examples include:

- *Strengthening Governance for Health Emergencies:* Create / reform governance responsible for overseeing health emergency PPR. Ensure government bodies facilitate multi-sectoral collaboration, align with international agreements, and maintain accountability.
- *Establishing and Strengthening Emergency Operations Centers (EOCs):* Establish or enhance a national EOCs with real-time data capabilities for coordinating response efforts.
- *Strengthening Incident Management and Coordination Systems:* Improve incident management systems at national and sub-national levels by implementing standardized communication protocols and clearly defined roles for decision-making during emergencies.
- *Strengthening Regulatory Pathways for Medical Countermeasures:* Establish or strengthen a National Regulatory Authority (NRA) to streamline approval processes for medical countermeasures during health emergencies.
- *Establish or strengthen national public health institutions:* Introduce appropriate legislative frameworks or equivalent administrative measures to establish or strengthen national public

health institutions (or similar public institutions' capacities) to prepare for and manage health emergencies.

**7. Country teams should be mindful that internal policy support for the development of pandemic preparedness RMs will be more limited in scope than it is for climate-related RMs.**

Even in areas where the IMF has capacity, it will still be important to coordinate the development and monitoring of the RMs by the Fund with the WHO and WBG to ensure that respective engagements are well-articulated for maximizing their benefits and that the responses are aligned with diagnoses. Additionally, in many cases, it will be challenging to meet the standard for normal RSF access based solely on pandemic-preparedness-related RMs that fall within core or shared areas of Fund expertise. Areas outside of the core areas of Fund expertise should be supported by technical assistance to the country authorities or equivalent engagement; in such areas, it is particularly important that Fund staff seeks advice and input from the WBG, WHO, or other relevant international institutions. While country teams are solely responsible for the development and monitoring of RMs, depending on the level of WHO/ WBG involvement, teams can be supported by FAD, including through a FAD-led PPR mission with suitably qualified external experts.

**8. Reforms not explicitly listed in the paragraphs above and Table 2 should generally not be part of RSF arrangements.**

While general health system strengthening is a foundation of pandemic preparedness, it is outside of the scope of the RST. More generally, PPR measures that typically require some mix of detailed health sector/health emergency capacity are more suited to project-based financing and/or may not meet the requirements of ambition or criticality needed to help member countries address their longer-term BoP risks. These PPR and health systems strengthening reforms would typically be referred to in the MEFP/PS/Written Communications, to demonstrate the member's broader policies and their commitment to the RST objectives.<sup>3</sup>

**9. No cross-conditionality.** As for any other Fund conditionality, Fund staff is solely responsible for setting and assessing RMs related to pandemic preparedness. Also, RSF arrangements should not be conditional on the WBG or WHO's ability to provide just-in-time technical assistance or produce new analytics to support the design of RSF supported reforms; however, where the authorities have requested and agreed the scope of technical assistance by other institutions, IMF staff can factor such technical assistance into their assessment of the authorities' ability to deliver on RSF-supported reforms.

**10. IMF Board documentation:** Fund staff will prepare the requisite documentation for an RSF arrangement in line with the guidance contained in the RSF GN. The staff report, Letter Of Intent, and/or Memorandum of Economic and Financial Policies/other Written Communications (which will cover both the RSF arrangement and accompanying UCT-quality program) will document the staff-level coordination undertaken and any complementarities with key relevant international institutions, including a description of these institutions' engagement in the sector and/or their

---

<sup>3</sup> Conversely, an absence of PPR initiatives outside the RSF arrangement could suggest weak commitment and could call into question the credibility of RSF efforts.

technical assistance related to pandemic preparedness, if applicable. Bank staff, Fund staff, and WHO staff should aim to agree on a specific timeline early in the process, factoring in at least five business days for WHO's contributions and comments, when these are needed.

**11. Modalities/process of engagement are similar to climate-related RSFs (see GN153-58).**

- Mission Chiefs should commence engagement with the WBG Country Director and WHO as soon as the authorities express interest in an RSF arrangement, including reforms related to pandemic preparedness, copying IMF coordinators.<sup>4</sup> At this time, the team should also request an Assessment Letter to the WBG and communicate to the WBG and the WHO the timeline for the preparation of the Policy Note, mission, and expected Board discussion. IMF/WBG/WHO country teams may wish to engage with each other even further ahead, when feasible. In any case, teams should allow sufficient time for all institutions to take stock of existing diagnostics and discuss (and independently execute) any additional needed diagnostics or capacity development activities.
- Fund staff should seek full coordination and constant exchange of information with staff of the WHO and the WBG, with full compliance by the staff of each of the three institutions of their respective institution's internal policies, procedures and regulations, including the necessary limitations for the safeguarding of confidential information furnished to them by their member states authorities or third parties.
- Fund staff will keep WBG and WHO staff abreast of developments pertaining to the pandemic-related part of the RSF arrangement and may request additional meetings ahead of reviews under the arrangement. Conditional on agreement by the authorities, Fund staff may invite the WBG and WHO staff in Fund-led policy discussions related to pandemic preparedness.
- Fund staff will discuss the parts of the Policy Note for reviews under the RSF arrangement related to pandemic preparedness with the WBG and WHO, providing adequate time to WBG staff and WHO staff for optional feedback (no less than 5 business days). Should additional discussions be needed to assess or modify certain RMs, Fund staff will provide sufficient lead time with inviting participation from WBG and WHO staff.

---

<sup>4</sup> The updated contact list is available [here](#).