

The IMF's Climate Turn: Lending, Debt and Extractive Dependence

IMF review processes: Conditionalities and Debt Sustainability

IMF & Climate Series

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LATINDADD

From diagnosis to action

Where are the opportunities to influence IMF policy and practice?

- Review of Program Design and Conditionality (RoC) → Policy space.
- Review of the Low-Income Countries Debt Sustainability Framework (LIC-DSF) → Fiscal space.
- RoC and LIC-DSF are connected.

Two current IMF reviews

	RoC	LIC-DSF
Main question	What policies are countries expected to implement?	What level and trajectory of debt is considered sustainable?
Shapes	Policy space	Fiscal space
Key concern	How adjustment is designed	How sustainability is defined and assessed
Opportunity	Better program design	Broader, more realistic sustainability assessment
Ultimate question	What can governments do?	What can governments afford to do?

RoC: from policy design to implementation

What should change?

- Less automatic reliance on fiscal consolidation.
- Distributional, gender and climate impact assessments.
- Country ownership and meaningful participation.
- Protection of social and climate spending, public investment.
- Greater coherence between IMF instruments and climate objectives.
- From 'no harm' to 'enable transformation'.

LIC-DSF: What counts as sustainable debt?

Debt sustainability

- Debt distress risks
- Repayment capacity
- Fiscal adjustment

Is debt sustainable if servicing it requires:

- Prolonged underinvestment?
- Inadequate climate investment?
- Regression in social and economic rights?
- Stalled development?

Partial progress: long-term module, shock analysis, flow indicators

Still unresolved: new comprehensive approach

- Development goals in the core definition.
- Climate risks in the baseline.
- Fiscal multipliers and transparency.
- Excessive austerity as a debt-stress event.
- External private debt.
- Transparency and publication of DSAs.

Advocacy windows: What comes next?

Priorities

1. Influence the final decision (?) – CS consultation.
2. Defend policy space and unresolved issues.
3. Broaden the definition of debt sustainability.
4. Scrutinize technical assumptions and transparency.
5. Connect RoC + LIC-DSF advocacy.

From reviews to implementation

- Monitor country application → DSAs + IMF programs.
- Ensure meaningful participation in program design.
- Assess distributional consequences.
- Follow the space for climate and development investment.
- Turn country evidence into global reform.

Thank you.

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