

Reform international financial institutions for a just transition

The First Conference on Transition Away from Fossil Fuels (TAFF) in Santa Marta, Colombia, is aimed at action: identifying key barriers, finding solutions, and moving to implementation. An important set of actors regularly called upon to put development and climate goals into practice and help create the necessary economic and financial conditions are international financial institutions (IFIs), such as multilateral development banks (MDBs) and the International Monetary Fund (IMF). By shaping the global economic discourse and what is considered 'sound' and sustainable economic policy, as well as providing a multitude of financial instruments, such as conditional loans to governments, climate finance, energy investments, guarantees and more, IFIs have major influence over the conference's three priority pillars — overcoming economic dependence, transforming supply and demand, and advancing international cooperation.

This briefing provides policymakers, journalists and civil society engaged in negotiations around the Santa Marta TAFF conference a short, accessible background on why IFIs can enable or undermine a just transition and how policymakers can advance concrete reforms within IFIs to put the conference ambition into practice. Santa Marta will set the vision — it will be up to governments to make it happen, both in their own countries and in global and regional coordination spaces, like the IFIs.

Introduction

In the midst of a polycrisis of climate, socio-economic, ecosystem and geopolitical dimensions, many Global South countries have been forced to reach for finance and institutional support wherever they can get it, even if it comes with harmful conditions.¹ At the same time, industrialised countries are divesting from official development assistance (ODA) and deflecting their climate finance obligations, pushing the responsibility onto the IFIs of which they usually are the largest

shareholders. As a result, the IFIs' power over fiscal and policy space globally has continued to surge in recent years, including in the energy sector, and the economic paradigm they promote centred around private finance interests and — now greenwashed — austerity has become hegemonic in mainstream political discourse.² However, from the history of 'Structural Adjustment Programmes' enforcing economic liberalisation across the Global South to the modern day 'Wall Street Consensus'

- 1 United Nations Department of Economic and Social Affairs. (2023). Report on the Expert Group Meeting for the World Social Report 2023: Sustainable development in times of recurrent crises (EGM Summary). <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WSR-EGM-Summary.pdf>
- 2 End Austerity: Resources. <https://endausterity.org/resources/>, Dafermos, Gabor & Michell (2020): The Wall Street Consensus in pandemic times: what does it mean for climate-aligned development? Canadian Journal of Development Studies, 42(1-2), 238-251. <https://doi.org/10.1080/02255189.2020.1865137>

championing the interest of private capital over countries' climate, development and human rights obligations, these institutions have been heavily criticised for decades.³

The COVID-19 pandemic propelled a consensus on the need for far-reaching reform of this post-colonial financial architecture, spurring a host of proposals for institutional and governance frameworks which would facilitate climate, development and just transition goals.⁴

1. Economic dependency

How IFIs impact this pillar

As sovereign lenders, energy infrastructure investors, providers of climate finance, and arbiters of debt sustainability, IFIs play a crucial role in shaping Global South countries' fiscal and policy space for a just transition. The IMF is particularly powerful in this regard, due to its continued centrality in the global financial safety net, influence over how countries' economic health is assessed, and power of coercion through policy conditionality in currently 85 countries with an IMF loan programme.⁵ However, given IFIs are lenders themselves and their governing boards tend to be dominated by creditor countries (see section 3 below), they

are not neutral parties that provide technical expertise; they have a vested conflict of interests (see Boxes 2 and 3).⁶

In practice, this means that the Debt Sustainability Analysis — the IMF's judgement whether a country's sovereign debt situation is sustainable or not, which determines market access — only very recently integrated some climate modules, but not enough to meaningfully account for public investment needs in climate, development and a just transition. As a result, even countries that would urgently need debt relief are still deemed 'sustainable' and thus forced to implement drastic austerity programmes, cutting down on social protection, health, education, environmental and climate spending in order to maintain their debt repayments — putting their just transition on hold, reversing human rights gains, and deepening gender inequality.⁷ Even IMF loan programmes during the COVID-19 recovery period and under its climate-focused facility, the Resilience and Sustainability Trust, kept embedding the same old policy prescriptions centred around fiscal consolidation (now sometimes with a green veneer), blocking the fiscal and policy space needed to deliver on a just transition and undermining sovereignty and democratic decision-making.⁸

3 *ibid.*, Kentikelenis & Stubbs (2024): The Origins of Conditionality, Phenomenal World <https://www.phenomenalworld.org/analysis/the-origins-of-conditionality/>; Bretton Woods Project (2019): What are the main criticisms of the World Bank and IMF? <https://www.brettonwoodsproject.org/wp-content/uploads/2019/06/Common-Criticisms-FINAL.pdf>

4 GADN (n.d.): Feminist Macroeconomic Proposals: Rebuilding More Equitable, Just and Sustainable Economies post-COVID-19. <https://gadnetwork.org/gadn-resources/feminist-macroeconomic-proposals-rebuilding-more-equitable-just-and-sustainable-economies-post-covid-19>; Gallagher & Kozul-Wright (2022): The Case for a New Bretton Woods. Wiley. <https://www.wiley.com/en-us/The+Case+for+a+New+Bretton+Woods-p-9781509546541>; United Nations (2024): Pact for the Future. <https://www.un.org/pact-for-the-future/en>; Bridgetown Initiative: <https://www.bridgetown-initiative.org/>.

5 Learn more at: imf-climate.org and <https://re-course.org/institutions/>

6 Ray (2021): IMF Austerity is Alive and Increasing Poverty and Inequality, Boston University. <https://www.bu.edu/gdp/2021/04/05/imf-austerity-is-alive-and-impacting-poverty-and-inequality/>; Touissant (2024): The World Bank and the IMF: the creditors' bailiffs. CADTM. https://www.cadtm.org/spip.php?page=imprimer&id_article=17571; Rehbein (2023): Understanding IMF debt sustainability analyses: a toolkit for CSOs to critically engage with the IMF. Friedrich Ebert Stiftung. <https://library.fes.de/pdf-files/bueros/tunesien/20619-20231115.pdf>;

7 Action Aid (2023): The Vicious Cycle: Connections Between the Debt Crisis and Climate Crisis. <https://www.actionaidusa.org/insight/the-vicious-cycle-connections-between-the-debt-crisis-and-climate-crisis/>; Bretton Woods Project (2023): Debt sustainability assessment reform essential to address retrogression of international human rights. <https://www.brettonwoodsproject.org/2023/10/debt-sustainability-assessment-reform-essential-to-address-retrogression-of-international-human-rights/>

8 Recourse et al. (2024): Off track: The long road to mainstreaming climate action into IMF lending. https://re-course.org/wp-content/uploads/2024/10/Off-track_mainstreaming-climate-action-into-IMF-lending_October-2024_Recourse.pdf; Recourse & LSD Senegal (2024): Greening IMF lending: Elusive prospects, mixed evidence. https://re-course.org/wp-content/uploads/2024/05/Greening-IMF-lending_RST-report-by-Recourse_April-2024.pdf; Oxfam (2022): Behind the numbers: a dataset exploring key financing and fiscal policies in the IMF's COVID-19 loans. <https://www.oxfam.org/en/international-financial-institutions/imf-covid-19-financing-and-fiscal-tracker>; Merling (2024): "Greenwashing" Structural Adjustment. Phenomenal World. <https://www.phenomenalworld.org/analysis/greenwashing-structural-adjustment/>

Box 1: MDB climate finance: adding debt, poor accounting and problematic investments

MDBs run a range of financing instruments, including investment loans, policy-based lending, equity and financial intermediary investments, guarantees and more. In total, they report between 30% and 50% of this as climate finance.⁹ However, in 2024 only 3% of this climate finance was grant-based, deepening the debt-climate-fossil vicious cycle and driving scarce public resources towards projects that can generate enough profits to pay interest.¹⁰ Lax accounting frameworks also mean even projects that lock-in fossils or high emissions with a minor green component have been counted.¹¹

On the other hand, especially given structural constraints in the international financial system, including currency volatility and the reliance on foreign-denominated debt, fossil-dependent countries' debt repayment capacity often chiefly relies on intensifying extraction in order to generate commodity exports that bring in foreign exchange, frequently with explicit IMF endorsement (see Box 2).¹² Through advice and conditionality, IFIs have also been driving Global South countries to privatise their energy systems for decades, which has led to more fragmented, profit-driven energy

sectors and reduced governments' ability to re-direct these systems to serve a coherent whole-of-economy transition.¹³

In sum, IFI loans, conditionalities, and the 'debt sustainability' seal directly and indirectly encourage — if not force — countries to ramp up fossil extraction and usage in direct opposition to climate goals, in a way that creates little benefit for their people, does not align with justice-centred differential transition pathways,¹⁴ and undermines their ability to leapfrog towards greater energy security and sovereignty that fully renewable systems would provide.¹⁵

9 IEB (2025): 2024 Joint Summary Report on Multilateral Development Banks Climate Finance. <https://www.eib.org/en/publications/20250071-2024-joint-report-on-mdbs-climate-finance>

10 UNCTAD (2025): A World of Debt. <https://unctad.org/publication/world-of-debt>; Debt Justice et al. (2024): Debt Demands & Debunking Distractions for Climate Action. https://debtjustice.org.uk/wp-content/uploads/2024/05/Debt-Demands-for-Climate-Action_Jun-24.pdf

11 Recourse et al. (2023): A safe pair of hands? How the multilateral development banks fail to live up to expectations on climate finance. https://re-course.org/wp-content/uploads/2024/11/A-safe-pair-of-hands_Recourse_November-2024.pdf; Recourse (2025): The MDBs' growing role in climate finance: All that glitters is not gold. https://re-course.org/wp-content/uploads/2025/11/The-MDBs-growing-role-in-climate-finance_Recourse_October-2025.pdf

12 Recourse et al. (2024); Action Aid USA & Bretton Woods Project (2021): IMF Surveillance and Climate Change Transition Risks: Reforming IMF policy advice to support a just energy transition. <https://www.actionaidusa.org/news/new-research-reveals-how-imf-policy-advice-undermines-global-climate-goals-by-advising-countries-to-invest-in-fossil-fuels/>

13 Bretton Woods Project (2024): Gambling with the planet's future? World Bank Development Policy Finance, 'green' conditionality, and the push for a private-led energy transition. <https://www.brettonwoodsproject.org/2024/04/gambling-with-the-planets-future-world-bank-development-policy-finance-green-conditionality-and-the-push-for-a-private-led-energy-transition/>

14 Civil Society Equity Review (2023): An Equitable Phaseout of Fossil Fuel Extraction. <https://www.equityreview.org/extraction-equity-2023>

15 The issue is not fossil use in all contexts – in some countries fossil revenues remain tied to fiscal stability and near-term development – but rather the externally driven extractive models, lock-in, and lack of domestic benefit that IFI-backed frameworks entrench. Countries should be given the policy space to pursue country-led, time-bound transition pathways.

Box 2: How the IMF accelerates fossil extraction through conditionality and policy advice

Argentina: Since joining the IMF in 1956, Argentina has undergone 23 loan programmes, frequently to prop up US-friendly right-wing governments and in breach of democratic procedures.¹⁶ The \$44bn 2018 loan (the biggest in IMF history) achieved “nothing ... other than massively aggravating a balance of payment problem”, “servicing unsustainable debt and financing a massive capital flight” with “disastrous and ... long-lasting” consequences for the country — in the IMF’s own words.¹⁷ Since the IMF is not allowed to lend where debt is ‘unsustainable’, its 2022 follow-on loan rested on an absurd 51% export increase forecast by 2030 that Argentina can only (maybe) fulfil by massively intensifying extractivism, such as by building out the Vaca Muerta oil and gas megaproject to generate the necessary foreign reserves.¹⁸ Vaca Muerta is considered a ‘carbon bomb’ with the potential to release CO₂ equivalent to 11.4% of the global carbon budget.¹⁹ In other words, this IMF programme locks Argentina into huge fossil infrastructure investments and stranded asset risks, diversion of resources from renewable energy that would benefit Argentinians instead of being exported, increased commodity dependence with the associated macro volatility, more emissions, and social-environmental damages to surrounding Indigenous Mapuche communities.

Pakistan: After decades of successive IMF programmes, Pakistan’s series of loans from 2019 to 2024 provided a stark example of how the IMF exacerbates climate impacts in debt distressed countries in practice.²⁰ As Pakistan struggled with the fallout of the pandemic, global inflation, and the devastating 2022 floods that engulfed a third of the country, rather than advocating for debt relief, the IMF withheld money until severe energy subsidy cuts and currency devaluation were implemented to achieve fiscal consolidation to the tune of 2.5% of GDP. Further austerity measures in 2023 wiped out decades of poverty reduction progress in a single year, pushing four million people into poverty within weeks.²¹ Despite supposedly integrating climate risks into its Debt Sustainability Analysis in 2023 and considering these “exceptionally high”, the Fund continued attesting Pakistan sustainable debt, denying the country a restructuring. As a result, development and climate spending was slashed in half in the flood year, GDP contracted, just as inflation and external debt service payments soared.²²

16 IMF & Climate Change: Country Cases – Argentina. <https://imf-climate.org/country-cases/argentina/>

17 IMF (2021): Argentina. Ex-Post Evaluation of Exceptional Access under the 2018 Stand-By Agreement. https://www.argentina.gob.ar/sites/default/files/largea2021001_eng.pdf

18 Recourse & Periodistas por el Planeta (2024): New report: The IMF talks about climate change but it pushes Argentina into more and more fracking. <https://re-course.org/newsupdates/new-report-the-imf-talks-about-climate-change-but-it-pushes-argentina-into-more-and-more-fracking/>; FARN et al. (2024): State of affairs in Argentina and the IMF agreement: views from civil society. <https://farn.org.ar/wp-content/uploads/2024/10/State-of-affairs-in-Argentina-and-the-IMF-agreement-Views-form-civil-society.pdf>

19 350 (2022): Vaca Muerta is a “carbon bomb” that could eat up more than 11% of the global CO₂ budget. <https://350.org/vaca-muerta-is-a-carbon-bomb/>

20 Bin Rashid, Moulvi & Moeed (2024): Debt Sustainability, Climate Crisis and Development: Assessing the IMF’s ‘Green Austerity’ in Response to Pakistan’s 2022 Floods. *Development* 67, 291–304. <https://link.springer.com/article/10.1057/s41301-025-00423-z>; IMF & Climate Change: Country Cases – Pakistan. <https://imf-climate.org/country-cases/pakistan/>

21 Bretton Woods Project (2024): Pakistan’s debt crisis fuelled by more IMF loans. <https://www.brettonwoodsproject.org/2024/07/pakistans-debt-crisis-fuelled-by-more-imf-loans/>

22 IMF & Climate Change: Country Cases – Pakistan

Egypt: Several MENA countries, such as Tunisia and Jordan, have seen large-scale protests against IMF-imposed elimination of consumer energy subsidies, demonstrating how energy transition policies that are pushed through without a justice and distributional lens lead to political unrest and social backlash. By 2024, ten years since Egypt's president El Sisi came to power — eight of which under an IMF programme — the country's external debt had ballooned from \$46.1bn to \$168bn, GDP had shrunk, the official exchange rate collapsed, labour force participation dropped, and large swathes of the population remained in or were falling into poverty.²³ IMF-imposed fiscal consolidation from 2016 rested largely on eliminating energy subsidies as well, which until 2015 had accounted for about 6% of GDP and constituted a form of social assistance. A simultaneous increase of targeted social programmes was grossly insufficient to balance the fallout of accelerated regressive inflation, successive interest rate hikes and exploding debt service.

Subsidy removal thus failed to generate meaningful savings or debt reduction, while oil and gas investment actually grew, calling into question the rationale of carbon pricing.²⁴ Without a simultaneous push for renewable energy development and universal social protection, price-based fossil phase-out measures, such as blanket consumer subsidy removal, mean countries like Egypt may be stuck with high fuel prices, unabated fossil investments, and greater inequality.²⁵

More in-depth case studies can be found at: <https://imf-climate.org/country-cases/>

2. Transforming supply, demand & incentives

How IFIs impact this pillar

Beyond their role in deepening economic and debt dynamics that lock-in fossil fuels, MDBs also directly continue investing in fossil infrastructure, their joint 2023 'Paris Alignment' methodology notwithstanding. Their exclusion lists of 'non-Paris-aligned' investments only fully prohibit coal and peat, but not oil and gas, and MDBs are active champions of fossil gas as a 'transition fuel'.²⁶ Since the signing of the

Paris Agreement in 2015, MDBs have pumped some \$60bn into fossil fuels, \$7bn in 2023–24 alone.²⁷ The Asian Infrastructure Investment Bank (AIIB), founded in 2015 with the aim of being "lean, clean and green", only banned coal financing in 2022, after it had invested almost \$2.3bn in fossil fuels, close to half of its energy portfolio.²⁸

23 IMF & Climate Change: Country Cases –Egypt. <https://imf-climate.org/country-cases/egypt/>; Kaldas (2024): Economics is political: the IMF's programme in Egypt can't succeed without reforming both. <https://www.brettonwoodsproject.org/2024/07/economics-is-political-the-imfs-programme-in-egypt-cant-succeed-without-reforming-both/>

24 Diab (2023): The IMF and Ending Energy Subsidies in Egypt A Tale of Class War and Greenwashing. Transnational Institute. <https://www.tni.org/en/article/the-imf-and-ending-energy-subsidies-in-egypt>

25 Hassan (2025): Background Paper: The IMF & World Bank's Grip on MENA. MENAFem. <https://menafemmovement.org/background-paper-the-imf-world-banks-grip-on-mena/>

26 Big Shift Global (2025): Paying for a Just Transition: Fossil Gas Debt Trap in the Global South. <https://bigshiftglobal.org/resource/paying-just-transition-fossil-gas-debt-trap-global-south>

27 Source for all data: <https://energyfinance.org/#/data>

28 Recourse et al. (2023a): NO PARIS: How the AIIB's Paris alignment methodology fails the people and the climate. <https://re-course.org/wp-content/uploads/2023/09/No-Paris-FINAL-0923.pdf>

In many Global South countries, the energy transition challenge is not only about decarbonisation but simultaneously about expanding access and improving affordability — and energy investments should be assessed against all of these objectives. When MDBs do invest in the energy transition, these are often large-scale, export-oriented projects, such as solar farms, mega-dams, and transition mineral mining with limited local value creation, which generate little benefit or improved energy access for local communities, and lack proper industrial linkages, while carrying the danger of displacement, environmental impacts and new sacrifice zones. They also heavily promote 'false solutions' like unproven carbon capture and storage (CCS), highly polluting waste-to-energy plants, large hydropower, carbon markets, and mining for critical minerals.²⁹

For example, 27% of the World Bank's 2024 energy funding went to fossil-linked projects, 20% to 'false solutions', and 32% to renewables.³⁰

Combined with loopholes in, and poor implementation of, MDBs' safeguards and accountability frameworks and a history of neglecting free, prior and informed consent (FPIC), e.g. for Indigenous peoples,³¹ the likelihood of MDB energy transition finance contributing to gender and human rights violations is considerable. A 2022–2024 portfolio review of World Bank, Asian Development Bank (ADB), and African Development Bank (AfDB) energy sector project documentation found fewer than half included references to adequate consultation or integrated gender-responsive measures.³² As a result, supposedly 'green' energy projects under the 'Paris alignment' banner have led to displacement, environmental damage, land grabbing and growing emissions from the Maldives to Mongolia (Box 3).³³

Box 3: How MDB financing shapes the energy transition

Large hydropower in Pakistan: The Indus Basin covers 47% of Pakistan, and together with the Indus River and Delta, forms the country's lifeline. Since the 1960 Indus Waters Treaty (IWT) brokered by the World Bank between India and Pakistan, the Bank has continued to shape Pakistan's energy sector. MDBs support major hydro schemes, such as Tarbela Dam (World Bank) and the planned Diامر-Bhasha Dam (World Bank and ADB), that have displaced communities, created widespread environmental impacts, undermined women's livelihoods, and generated new debt burdens. Knowing the geopolitical fragility of the water-sharing arrangement with India, Pakistan's own renewable policy excludes hydropower, but the World Bank's country partnership framework ignores this and continues proposing new investments and guarantees for hydro. At the same time, solar energy is growing as a credible alternative and the Bank itself has calculated that a minuscule coverage of Pakistan's land (0.071%) with solar infrastructure could meet its entire power needs.³⁴

²⁹ Recourse et al. (2023); Recourse (2025)

³⁰ Recourse (2025a): Assessing the World Bank's progress on just energy transition.

https://re-course.org/wp-content/uploads/2025/04/Fact-sheet_Assessing-the-World-Banks-progress-on-just-energy-transition.pdf

³¹ UN OHCHR (2023): A/HRC/54/31: Green financing – a just transition to protect the rights of Indigenous Peoples.

<https://www.ohchr.org/en/documents/thematic-reports/ahrc5431-green-financing-just-transition-protect-rights-indigenous>

³² Recourse (2025b): Fact sheets: Assessing multilateral development bank progress on the just energy transition.

<https://re-course.org/newsupdates/fact-sheets-multilateral-development-bank-progress-on-the-just-energy-transition/>

³³ Recourse et al. (2023)

³⁴ Recourse et al. (2025): Shifting MDB energy finance from false solutions to truly just transitions.

<https://re-course.org/newsupdates/false-solutions-finance-briefing/>

Transition minerals in Mongolia: ADB's 'Climate Smart Mining for a New Climate Economy' project was flagged in 2024 as highly risky by over 60 civil society organisations for potential health impacts, local economic losses, water pollution, land grabbing and Indigenous rights violations.³⁵ Still, the ADB counted its \$500k investment as 100% climate finance, in line with the MDBs' shared methodology which counts any mining of transition minerals, even if it causes grave harms – despite the risk of sacrifice zones and contrary to the UN call for a rights-based approach.³⁶

Gas in Senegal and Indonesia: One of the conditions of the World Bank's 'Second Equitable and Resilient Recovery Development Policy Financing' loan to Senegal — a fossil-dependent and highly-indebted country — was implementing a Gas Code aimed at boosting the investment environment for gas exploration, production, distribution, and infrastructure.³⁷ In Indonesia, MDBs helped finance the construction and expansion of Tangguh, the country's largest gas extraction and LNG production site, directly (ADB) and through financial intermediaries (ADB, AIIB and IFC), despite known issues of displacement, forest damage, and civic space repression.³⁸ In these and many other countries, MDBs frame gas as a 'transition fuel', but investments in gas infrastructure create long-term economic dependencies that delay the transition to truly renewable energy sources.

Solar in Kenya: The Kenya Off-grid Solar Access Project (KOSAP) is a positive example of MDB renewable energy finance. Financed by a World Bank Group loan of \$150m in 2017, KOSAP sought to provide around 1.3 million people with better electricity through mini grids, solar systems, water pumps, and clean cooking. It targets remote, underserved localities, includes training to employ local youth and women, and focuses on economic and environmental benefits in communities. Communities were consulted during project design, targeted subsidies were introduced to reach low-income households, and provisions were made to ensure the inclusion of women and marginalised groups.³⁹

3. International cooperation

How IFIs impact this pillar

Raising ambition around decolonising international governance is more crucial than ever, and a range of reform initiatives have charted paths for what this can look like: UN, civil society and academic proposals for a 'new Bretton Woods', Africa's leadership

in promoting UN framework conventions on tax and debt, and campaigns to transform the financial architecture towards enabling the right to development through the Financing for Development (FFD) process, including last year's conference.⁴⁰

35 NGO Forum on ADB (2024): Climate-Smart Mining for a New Climate Economy (Project 57273-001). <https://www.forum-adb.org/post/climate-smart-mining-for-a-new-climate-economy-project-57273-001>

36 United Nations (2025): The UN Secretary-General's Initiative on Critical Energy Transition Minerals. <https://www.un.org/en/climate-change/critical-minerals>; Pallares (2025): Green sacrifice zones: The places ruined by the energy transition. Think Landscape. <https://thinklandscape.globallandscapesforum.org/72768/green-sacrifice-zones-the-places-ruined-by-the-energy-transition/>

37 Recourse et al. (2024a): The End Game for Fossil Gas: How to make World Bank Development Policy Finance align with the Paris Agreement. <https://re-course.org/newsupdates/blog-world-bank-development-policy-finance-paris-alignment/>

38 Trend Asia & Recourse (2025): Tangguh LNG: Big project, huge risks. https://re-course.org/wp-content/uploads/2025/09/ENGLISH_Tangguh-LNG-project_Trend-Asia_Recourse.pdf

39 Recourse et al. (2025)

40 See resources under endnote 4; African Union (2025): Draft Declaration of the African Union Conference on Debt. <https://au.int/en/documents/20250514/draft-declaration-african-union-conference-debt>; Tax Justice Network (2025): UN tax convention. <https://taxjustice.net/topics/un-tax-convention/>; Civil Society FFD Mechanism: <https://csoforffd.org/>

Despite these global efforts, the IFIs have remained stalwarts of an orthodox, neoliberal and private finance-centred development paradigm, helping reshape the state as a de-risking agent for capital. The G20-initiated Roadmap towards Bigger, Better and More Effective MDBs and resulting evolution broadened MDB mandates to 'global public goods' without challenging this paradigm, even in the face of self-admitted evidence of private finance's failure to deliver for development.⁴¹ The UNFCCC's 2024 new climate finance goal (NCQG) explicitly called on the MDBs to mobilise the necessary finance and echoed wording of the G20 Roadmap, again without investigating how IFIs enable a business-as-usual approach that undermines the Paris goals.

IFIs also remain undemocratic beyond cosmetic changes, based on a governance model diametric to principles of common but differentiated responsibilities, where the most powerful shareholders tend to be the biggest emitters, are home to the majority of the world's capital, and dominate other economic governance fora like the Financial Stability Board and G20, while those most vulnerable and least responsible have little say — and are subject to conditionalities decided by the same polluter-dominated IFI Boards.⁴² Thus,

governance imbalances translate into limited influence over financing terms, policy conditions, and transition pathways.

IFIs, particularly the IMF, also remain adamant that they are not bound by obligations resulting from international law and human rights treaties, sit outside the UN system (despite being UN specialised agencies), and that they can essentially self-define if and how they contribute to achieving binding targets of the Paris Agreement, the International Covenant on Economic, Social and Cultural Rights, or the Sustainable Development Goals.⁴³ Reports by UN Independent Experts and the 2025 landmark advisory opinion by the International Court of Justice on the other hand have re-affirmed IFIs' and countries' human rights and climate obligations, which extend to the governance and financing decisions they exercise at MDBs.⁴⁴

An additional IFI-housed enforcement mechanism that this conference is spotlighting is investor-state dispute settlement (ISDS) and the grave resulting regulatory chill, carbon lock-in and fiscal impacts. In fact, the International Center for the Settlement of Investment Disputes (ICSID), the world's leading ISDS forum, is an arm of the World Bank Group, with 70% of dispute cases settled there. In 2025, a record number of cases were brought related to fossil fuels and mining projects.⁴⁵

41 Gill (2024): For developing economies, the finance landscape has become a wasteland. World Bank. <https://blogs.worldbank.org/en/voices/for-developing-economies-the-finance-landscape-has-become-a-wasteland>; Bretton Woods Project et al. (2023): Civil Society calls for rethink of World Bank's 'evolution roadmap' as part of wider reforms to highly unequal global financial architecture. <https://www.brettonwoodsproject.org/2023/07/civil-society-calls-for-rethink-of-world-banks-evolution-roadmap-as-part-of-wider-reforms-to-highly-unequal-global-financial-architecture/>

42 While Global North dominance is more or less pronounced on MDB executive boards depending on the region (including some without US presence), governance tends to be skewed towards greater economic size and power (and often emissions) regardless, with smaller countries grouped together in combined constituencies while bigger ones have their own individual board chair. Read more: IMF & Climate Change: How does the IMF contradict the Paris Agreement? <https://imf-climate.org/imf-climate/the-imf-the-paris-agreement/>; Merling & Forster (2024): Climate policy at the International Monetary Fund: No voice for the vulnerable? Global Policy: Next Generation, 15, 539–553. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/1758-5899.13367>

43 Caliori (2023): IMF accountability to human rights: breaking the dead-lock? Global Policy Forum Europe. https://www.globalpolicy.org/sites/default/files/IMF%20Accountability_final.pdf

44 United Nations (2019): Effects of foreign debt and other related financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights. <https://docs.un.org/en/A/74/178>; Bank Climate Advocates (2025): MDBs' & Member States Legal Obligations Campaign. <https://bankclimateadvocates.org/mdb-legal-climate-opinion>

45 Keepe & Wetzels (2025): Record number of corporate lawsuits target climate action in controversial tribunal. Follow the Money. <https://www.ftm.eu/articles/fossil-fuel-companies-record-year-climate-lawsuits>; UNCTAD (2022): Treaty-based Investor-State Dispute Settlement Cases and Climate Action. <https://investmentpolicy.unctad.org/publications/1270/treaty-based-investor-state-dispute-settlement-cases-and-climate-action>

Recommendations

The Santa Marta conference should not elevate the IFIs without recognising their structural and political limitations and without a commitment from shareholder governments to reform their governance, policy and practice. At the heart must be a paradigm shift that puts finance and macroeconomics at the service of a just transition, human rights, and the planet — not the other way around.

Move away from market-based, creditor-driven development to re-centre rights and public interest

To be part of a TAFF, governments must force IFIs to embrace a development and climate finance paradigm in their policies and practice that puts people and communities in the driving seat of their own just transition pathways and priorities, and is centred on states' obligations to people's economic, social and human rights.⁴⁶ IFIs need to be reformed so that their micro and macro policy tools create a true enabling environment for public-led, redistributive climate, energy and industrial policy aligned with nationally determined development priorities and transition strategies. This means re-democratising the economic decision-making enshrined in the IFIs' policy-based lending, with disclosure and consultation requirements that ensure reforms are developed through transparent processes that are bottom-up, democratic and country-owned, and place human rights at the centre.⁴⁷

Shareholder governments must scale up non-debt-creating grant facilities for productive reconversion and industrial transformation. The ongoing G20-initiated MDB reform process and individual MDB strategy reviews are key entry points for embedding these principles.

Reform the concept of debt sustainability, cancel unsustainable debt and pay up climate debt

Debt sustainability must be redefined to encompass not just capacity to repay at grave environmental and social costs, but capacity to invest in development, climate, rights and a just transition — something UN experts have been calling for for at least for a decade.⁴⁸ Where this makes debt unsustainable, instead of enforcing austerity or deepening fossil extraction, IFIs should champion adequate debt restructuring and cancellation along with identifying pathways for investment-led, climate-resilient development.⁴⁹ A review of the **IMF's Debt Sustainability Framework for Low-Income Countries** and another of its **conditionality** design are currently ongoing, where these fundamental reforms — along with a host of technical tweaks⁵⁰ — should be raised. And instead of extracting billions in interests from the Global South, the IFIs' largest shareholders and the private creditors they host should pay up their climate debts accrued to the rest of the world.⁵¹

46 Bretton Woods Project et al. (2023); N.A. (2023): Letter to Leaders at COP28: For a globally just energy transition, we need to transform public finance. <https://gcap.global/wp-content/uploads/2023/12/Letter-on-transformative-public-finance-at-COP28.pdf>

47 Bretton Woods Project (2024); Recourse (2026): Civil society position on the Review of Conditionality and Program Design. https://recourse.org/wp-content/uploads/2026/01/Civil-society-position-on-the-Review-of-Conditionality-and-Program-Design_2025.pdf

48 UN OHCHR (2016): A/71/305: Integrating human rights into debt policies and debt sustainability analyses to counter new debt vulnerabilities: report. <https://www.ohchr.org/en/documents/thematic-reports/a71305-integrating-human-rights-debt-policies-and-debt-sustainability>

49 Boston University (2024): Room to Grow: Integrating Climate Change in Debt Sustainability Analyses for Low-Income Countries. <https://www.bu.edu/gdp/files/2024/09/TF-PB-009-FIN.pdf>

50 Eurodad et al. (2025): Improving the IMF and World Bank's Debt Sustainability Framework for low-income countries. https://www.eurodad.org/improving_the_imf_and_world_bank_s_debt_sustainability_framework_for_low_income_countries

51 CAN International (2024): US\$5 Trillion Owed to Global South by Global North Due to the Climate Crisis. <https://climatenetwork.org/2024/09/20/us5trillion-owed-to-global-south-by-global-north-due-to-the-climate-crisis/>; Demand Climate Justice: Global Campaign For Climate Finance. <https://demandclimatejustice.org/gccf/>

Commit to no support for fossil fuels, close loopholes, and make lending consistent with a just TAFF

Paris alignment must mean consistency with the 1.5 degrees Celsius goal for all IFIs, and that requires exclusion of all support for fossil fuels, emission-heavy and environmentally destructive activities, including those that create carbon lock-in indirectly. All fossil fuel loopholes must be closed, be they through financial intermediaries, capital markets, policy-based or results-based financing, technical assistance or regular policy advice such as bilateral surveillance. The IMF should, as a minimum, mainstream a 'do no harm' approach to lending, which implies mandatory climate and social impact assessments for proposed conditionalities and the development of alternative policy mixes where harms are apparent. Ongoing and upcoming review processes of the IMF's core functions, including the **Comprehensive Surveillance Review, the Review of Conditionality, and the internal evaluation of the Fund's climate work** all provide crucial opportunities for shareholders and civil society to push for these essential changes.⁵²

Move from 'false solutions' and mega projects to sustainable, people-centred renewables

MDBs should stop funnelling climate and energy finance into false, costly and largely unproven 'solutions' and instead support community-led adaptation and mitigation, sustainable renewables, and a rights-based just transition. **MDB energy policies** must be reformed

to categorically exclude CCUS, blue hydrogen, green hydrogen for export, nuclear power, large hydropower, waste-to-energy and other unsustainable technologies. IFIs should reorient public finance toward renewable energy systems that directly serve people, ensure community ownership, fair participation, and tangible social and economic benefits, especially for women, youth, and marginalised groups. **MDB safeguards** should include FPIC requirements, integrate strong social and environmental protections, and implement these more effectively. The ongoing review of **IFC and MIGA's Sustainability Framework** is a key opportunity to strengthen them. To ensure compliance, MDBs' **independent accountability** mechanisms should be properly empowered, including to ensure remedy. The IMF has no such mechanism altogether and would benefit from at least an external-facing **ombudsperson** along with making its **civil society engagement guidelines** mandatory.

Embed redistributive and gender justice in the energy transition

Beyond just minimising harm, the IFIs' overall lending, investments, and research should aim to improve rights and equality outcomes. That means associated policies, targets and impact indicators must encompass a structural gender lens to prevent fuelling an energy transition that undermines gender equality through austerity, privatisation, and the exploitation of women's care work (see Box 4).

52 Recourse (2026)

Reform governance to shift power to the Global South — and away from the IFIs altogether

The call for IFI governance reform is as old as the gentleman's agreement that keeps a European at the head of the IMF and a US-American presiding over the World Bank. Periodic internal quota and shareholding reviews have done little to shift power toward Global South and climate-vulnerable countries, prompting the creation of alternatives like the AIIB and New Development Bank (NDB) to rebalance decision-making.⁵³ It will be incumbent upon member states

of ICSID to reform or altogether dismantle the mechanism, while countries can simply exit the ISDS regime.⁵⁴ Governments should also emphatically support critical outcomes of the 2025 Financing for Development (FfD4) conference such as an **intergovernmental process on debt and a borrowers' platform**, and work towards a **UN framework convention on sovereign debt** which would shift power away from creditor- and emitter-dominated IFIs towards more equal governance spaces that can address long-standing economic dependency challenges.⁵⁵

Box 4: A gender justice lens for a just TAFF

There are concrete ways to enshrine gender justice in a just transition away from fossil fuels:

- **Integrating gender in just transition planning**, e.g. ensuring NDCs, climate/just transition action plans, and finance frameworks link to women's rights by addressing gendered impacts of climate change and a just transition, actively improving gender equality, and tracking data accordingly.⁵⁶
- **Participation in decision-making**, e.g. centring local and Indigenous communities and women's rights organisations' knowledge in just transition decision-making and delivery, and positioning them as active stakeholders in processes that determine investment priorities.⁵⁷
- **Aligning with macroeconomic reform demands of the feminist movement**, e.g. championing feminist decolonial green new economy alternatives.⁵⁸

53 Woods (2006): *The Globalizers: The IMF, the World Bank, and Their Borrowers*. Cornell University Press. <https://www.jstor.org/stable/10.7591/j.ctt1ffjpgn>; Arauz et al. (2022): *Putting Climate at the Core of IMF Governance*. CEPR. <https://cepr.net/publications/putting-climate-at-the-core-of-imf-governance/>; Bretton Woods Project (2025): *World Bank Shareholding Review must deliver a better deal for African governments*. <https://www.brettonwoodsproject.org/2025/12/world-bank-shareholding-review-must-deliver-a-better-deal-for-african-governments/>;

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56 WEDO (2021): *Guide to strengthening gender integration in climate finance projects*. <https://wedo.org/resources/guide-to-strengthening-gender-integration-in-climate-finance-projects/>; Care UK (2022): *Making the Green Transition Work for Women*. https://insights.careinternational.org.uk/media/k2/attachments/Making_the_Green_Transition_Work_for_Women_2022-1.pdf; Gender + Environment Data Alliance: <https://genderenvironmentdata.org/>

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