Climate Policy at the International Monetary Fund: No Voice for the Vulnerable?

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Abstract

The climate crisis prompted the International Monetary Fund (IMF), an international lender of last resort, to implement wholesale reforms to incorporate climate policy into its operations. At the IMF, selected Western countries—historically, the largest emitters of greenhouse gases—dominate decision-making. This raises several questions. Can the Fund implement an ambitious and effective climate policy? How are climate-vulnerable developing countries and their interests represented in everyday decision-making at the institution? Drawing on scholarship on the political economy and legitimacy of international organizations, we focus on the formal distribution of decision-making power within the IMF to evaluate the IMF's shift towards climate change. Our empirical analysis of the representation of 57 self-identifying climate-vulnerable developing countries (the V20) at the IMF and within its Executive Board shows that these countries, speaking for almost a third of the Fund's membership, command a vote share of merely 5.6%. Our assessment of the Climate Strategy adopted by the IMF amplifies equity concerns over its climate policies and further attests to the disregard of requests by developing countries. Barring meaningful governance reform to increase the voice and representation of climate-vulnerable developing countries, the IMF's approach to addressing climate change is unlikely to translate into legitimate and effective climate policy.

Keywords: International Monetary Fund; governance; decision-making; climate change

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1 Introduction

The 'window of opportunity to secure a livable and sustainable future for all' is rapidly closing, the United Nations Intergovernmental Panel on Climate Change (IPCC) warned in its latest synthesis report (IPCC 2023). Institutions traditionally at the center of global climate governance, such as the United Nations Framework Convention on Climate Change (UNFCCC), struggle to entice states into implementing ambitious climate policies. At the same time, new actors emerge in the field (e.g., Kuyper et al. 2018; Zelli 2011), including the International Monetary Fund (IMF). The IMF is the intergovernmental organization tasked with promoting global financial stability, a mandate it pursues by offering technical assistance, conducting surveillance, and, notably, by providing member-states in times of crisis with financial support conditional on the implementation of far-reaching policy reforms (a practice known as conditionality).[1] In July 2021, the Fund adopted the 'Strategy to Help Members Address Climate Change Related Policy Challenges,' outlining the macro-critical implications of climate change—that is to say, the IMF now recognizes climate issues as a part of its mandate due to the risks of climate change on financial stability in the global monetary system (IMF 2021a).

More than 80 of the Fund's member-states have had a conditional lending program since 2010, and many countries return to the IMF several times for financial assistance (IMF 2024c; Kentikelenis and Stubbs 2023). While high-income countries tend to be able to access liquidity funding without any strings attached (e.g., by using bilateral swap lines), in low- and middle-income countries, the IMF is a prominent, and often notorious, institution (Mühlich and Fritz 2021). The IMF's position at the center of the global financial safety net became particularly obvious during the outbreak of the Covid-19 pandemic when 68 countries turned to the IMF for an emergency non-conditional loan; between 2021 and 2023, 51 countries embarked on a new conditional IMF program (IMF 2024c; Stubbs et al. 2021b). Within

[1] Except for relatively small emergency loans available in the aftermath of an external shock and disbursements of less than 25% relative to a country's financial contribution to the Fund, which are not subject to conditionality.

this context, the IMF is uniquely placed to influence the policies of emerging and developing countries, and thus play a central role in global climate governance.

The IMF acknowledges that its richest and most powerful member-states are responsible for the majority of historical carbon emissions, but it is the climate-vulnerable countries that bear the brunt of the cost (Georgieva et al. 2022). For instance, annual public adaptation costs are estimated to be around 0.25% of global GDP, but this masks considerable cross-national variation—for small, island nations most vulnerable to climate change, the necessary investments can add up to 20% of GDP (Georgieva et al. 2022). Climate policy, then, pits the interests of powerful Western nations against those of developing climate-vulnerable countries. This raises several questions: Is the governance and decision-making of the Fund adequate for ambitious and equitable climate action? How much voice do climate-vulnerable member-states have in everyday decision-making?

We seek to answer these two questions by drawing on scholarship on the political economy of international organizations and pertinent literature on legitimacy. International organizations may deliberate, craft and take decisions in the formal decision-making bodies of international organizations, where member-states are represented (formal governance), as well as behind the scenes using channels of informal governance (e.g., Stone 2011). Since its establishment, the decision-making of the Fund has focused on financial stability. Yet, the challenge posed by global warming differs from balance-of-payments crises due to its cross-national and cross-sectoral requirements, the diversity of stakeholders involved, its longevity, and the uncertainty (Fröhlich and Knieling 2013). Against this background, we study the distribution of power, voice, and representation in the IMF to understand (the lack of) institutional change.

We present a novel empirical analysis of the voice and representation of climate-vulnerable developing countries in the IMF. We find that 57 self-identified climate-vulnerable developing countries are severely underrepresented along a range of dimensions. These countries are home to 18.0% of the world's people, make up 30.0% of the Fund's membership, yet only

command 5.6% of the formal votes of the IMF. In the IMF's decision-making body, its Executive Board, their votes give them the majority in solely one of 24 constituencies, and as of January 2024, they have direct representation in four out of 24 constituencies.

For IMF member-states, quota shares determine their financial contributions, voting power, and access to loans. These quota shares are periodically revised; most recently, the 16th review was concluded in December 2023, without an agreement on shifting their distribution amongst member countries or a realignment of voting power (IMF 2023). Over the last two decades, calls for governance and quota reform at the IMF have only grown louder, as large emerging countries seek alternative arrangements to borrowing from the Fund (Mohan 2021). Today, emerging market and developing economies continue to call for reform of IMF quotas and increased representation (G24 2022). Similar to previous reviews (IMF 2020), the Fund's membership 'acknowledged the urgency and importance of quota share realignment to better reflect members' relative positions in the world economy' in the 16th review (IMF 2023), but ultimately postponed a decision on the matter, making negotiations around commitments for quota realignment and governance reform an ongoing debate.

In addition, we show that the diverging interests of powerful Western countries and climate-vulnerable countries are discernible in the IMF's Climate Strategy. On the surface, demands by climate-vulnerable countries are respected, such as the establishment of a new lending facility to provide finance for long-term climate mitigation and adaptation. Yet the requirements that regulate access to such resources are consistent with the priorities promoted by powerful countries from the Global North. From this perspective, the Climate Strategy thus represents business as usual, rather than a fundamental overhaul of Fund policy. This outcome cannot be separated from the unequal distribution of power in the Fund, and the dynamics make it more likely for the IMF's climate efforts to result in organized hypocrisy (Weaver 2008). This is especially the case if the most powerful member-states seek to maintain the status quo—in contrast to civil society (Bretton Woods Project 2022), management (IMF 2021b), and selected bureaucrats (e.g., Clark and Zucker 2023) that strive

for ambitious climate policy.

The IMF's everyday work is a function of its underlying power dynamics, and this is also true for its impending work on climate change. IMF-designed climate policies potentially have a wide reach because of the Fund's ability to impose conditionality on borrowers and influence policy for many of its members through surveillance activities. Yet the disproportionate influence of select member-states undermines the Fund's legitimacy and casts doubt on its effectiveness because it is seen to operate in the interest of its largest shareholders rather than for the global good (Mohan 2021). In view of the importance of formal power in the IMF's shift towards climate change and climate-vulnerable developing countries' underrepresentation in the Executive Board, substantial governance reform at the IMF is paramount—for the IMF to deliver an equitable and ambitious framework for climate policy, for supporting global macroeconomic and financial stability, and for maintaining its legitimacy.

2 The IMF, power, and institutional change in times of crisis

Powerful member-states regularly seek to further their interests through international organizations (e.g., Forster et al. 2022; Stone 2011; Vreeland 2019), drawing on a mixture of formal and informal power. Formal power refers to means of influence that member-states use within the formal governance structure, such as the distribution of votes and decision-making rules (Blake and Payton 2015; Koremenos et al. 2001). A number of international organizations, including the Global Environment Fund and most multilateral development banks (Blake and Payton 2015; Martinez-Diaz 2009), use weighted voting systems that grant selected member-states disproportionate formal power. Sometimes, such as in the case of the five permanent members of the UN Security Council, states have an explicit veto right in specific situations (threats to peace, breaches of the peace, and acts of aggression) (Sievers and Daws 2014). In other institutions, the weights afforded to certain member-states effectively

grant them a veto right. For instance, in the World Bank and the IMF, the US commands 15.7% and 16.5% of the votes respectively. This allows the country to block any decision requiring an 85% majority (see also below).

Scholars of informal governance argue that explaining organizational decisions or outcomes exclusively in terms of formal-legal treaty provisions is inadequate (e.g., Stone 2013). The number of international organizations in which votes are never taken, or where votes are almost always unanimous, supports the notion that the formal decision-making body may not be the primary venue in which to observe decision-making (Martinez-Diaz 2009; Stone 2013). Informal practices of organizing are so ubiquitous in international affairs that 'tacit understandings that assign representation to certain states or groups of states are the norm, not the exception' (Cogan 2009, 211-212). As a result, scholars have shifted from the relatively static formal rules to actual, dynamic behavior within these organizations (Chwieroth 2013; Kleine 2013; Stone 2011). Beyond the formal governance structure, then, member-states may exercise informal power by building coalitions, gaining preferred access to information, and using social skills such as arguing or persuasion (Hibben 2015; Kentikelenis and Seabrooke 2017).

In short, governance and decision-making takes place in the 'shadow of hierarchy' (Scharpf 1997) because formal rules 'generally set the parameters within which informal interactions take place' (Stone 2013, 121). Without denying the importance of informal governance, we focus on the formal distribution of votes to understand the IMF's reorientation towards climate change.

The IMF's core mandate around preventing and addressing balance-of-payment crises and supporting global financial stability means the institution has evolved to address an issue that is distinct from climate change. The differences between climate change and balance-of-payments crises are outlined in Table 1; together they illustrate how climate change makes new demands to its governance (Fröhlich and Knieling 2013).

Table 1: Climate change and balance-of-payments crises as distinct problems

Feature	**Climate change**	**Balance-of-payments crises**
Requirements	Policy responses to global warming have distinct boundary-, level-, and sector-comprehensive requirements. Organizational expertise is not tailored to these needs.	Policy responses to a balance-of-payments crisis requires swift action to stop capital flight and restore confidence in the government. The IMF has lending facilities that allow for a fast disbursement, although the Fund's responsiveness is also subject to political influence (e.g., McDowell 2017).
Stakeholders	The multi-level, cross-sectoral nature of climate change requires multiple stakeholders with diverse perspectives, resources, and interests to be involved in governance—as is also evident in the proliferation of actors in global climate governance (Abbott et al. 2016)	Global monetary stability is a relatively narrow and monopolistic policy area with well-defined stakeholders, notably, finance ministries. As an international lender of last resort, the IMF is mostly unchallenged (Lipscy 2015; Mühlich and Fritz 2021).
Longevity	Climate change is a long-term problem that demands policy reforms across multiple generations.	Balance-of-payments problems can be classified as fast-burning crises, even though they may be recurring.
Uncertainty	The formulation and implementation of climate mitigation and adaption strategies and measures is endangered by the considerable uncertainty surrounding global warming.	IMF economists have long modeled financial crises and the fundamentals under different scenarios. However, considerable uncertainty about the implementation of reforms remains.

Notes: Conceptualization of climate change from Fröhlich and Knieling (2013)

At the IMF, formal power is distributed based on a quota system: each country is assigned a quota share based on a formula that approximates an economy's relative size within the global economy (notably, a blend of GDP, economic openness, variability, and reserves). The United States has a quota share of 17.4% and commands 16.5% of the votes, which enables it to veto important decisions—for instance, the admission of new members or changes to the Articles of Agreement all require an 85% majority (Fritz-Krockow and Ramlogan 2007). Most importantly, this influence extends over any changes in quota and voting power, which effectively allows the United States to hold veto power over having to give up its veto power

(Vezirgiannidou 2013). Any increase in the quota-based financial contributions of members, historically the main source of IMF funding, must also have the support of the United States—which the US can leverage to extract concessions and shape the operations of the IMF (Broz and Hawes 2006; Kentikelenis and Babb 2019).

Evidence for US influence at the IMF is pervasive. Countries perceived as allies of the United States consistently receive preferential treatment through fewer and softer reforms mandated in their IMF programs (Copelovitch 2010; Dreher et al. 2015; Ray et al. 2022). By contrast, lending arrangements with geopolitical allies of China tend to include harsher reforms (Ray et al. 2022). This makes the IMF a 'biased insurance mechanism'—the countries that can expect to be favored by the IMF typically have worse financial fundamentals and are more susceptible to crises (Lipscy and Lee 2019).

Political influence by individual states is likely to hamper the effectiveness of an institution; when powerful member-states exert influence on staff, bureaucrats may not be able to pursue the organizational mandate but need to cater to the national interests of individual member-states (Lall 2017). Within the IMF, a major institutional shift occurred in the 1980s, when it broadened the scope of IMF conditionality and cemented the Fund's market-oriented approach of austerity, liberalization, privatization, and deregulation (Kentikelenis and Babb 2019). This change happened largely at the behest of the United States. However, such conditionality is linked to an increase in poverty and a worsening of income inequality in borrowing countries (Forster et al. 2019; Stubbs et al. 2021a). The IMF itself concedes its programs have a fairly low success rate, and tend to underestimate the negative impact of austerity measures while overestimating the positive impact of their proposed structural reforms, making overly optimistic assumptions that fail to materialize (IMF 2019). These shifts in the Fund's approach to conditionality and the associated adverse socio-economic consequences suggest that yielding to the preferences of the most powerful member-states need not improve the effectiveness of an institution. Further, if powerful member-states' interests clash with demands by external stakeholders, management, and staff, a decoupling

of rhetoric from action is likely to ensue, and organized hypocrisy arises (Weaver 2008).

The (lack of) effectiveness and the lopsided distribution of formal power have, in turn, consequences for the legitimacy of the IMF. Observers regularly speak of a 'democratic deficit' of the IMF because emerging and developing countries—the regular clientele of the Fund—have little formal means of holding the institution accountable and effecting wholesale changes (Vestergaard and Wade 2015). Especially when US interests are at stake, the member-states of the Fund recognize the formal, informal, and structural power of the United States (Stone 2011). The effectiveness of an institution is undoubtedly important for the question of whether its actions are legitimate. Increasingly, however, organizations also derive their legitimacy from how they take decisions (Dingwerth et al. 2019). This invites scrutiny into decision-making rules and the distribution of formal voting power, not only with regard to economic fundamentals but also aspects of climate change.

In summary, the governance and decision-making structure of the IMF—notable for the outsize influence of the United States and other Western states—directly impacts its operations, outputs, and outcomes. Building on these findings, we turn our attention to the consequences of this governance structure for the Fund's effectiveness and legitimacy as an actor in climate policy. Within this context, the formal power afforded to climate-vulnerable developing countries is not an innocuous decision for the Fund. We turn to the empirical examination next.

3 Research design

Given our focus on formal governance and decision-making, we collected quota shares, voting shares, and information on the organization of the IMF's Executive Board (its decision-making body) as of January 2024 (IMF 2024a,b). Indices of climate and disaster risk are increasingly popular, yet their results do not necessarily compare because risk and exposure hotspots are not easily measured (Garschagen et al. 2021, see also UNCTAD 2023, 11-20). To

approximate climate vulnerability, we therefore leverage the fact that the heads of 58 states classified as developing economies that self-identify as vulnerable to climate risks organize themselves in the Climate Vulnerable Forum (CVF), a platform to coordinate behavior and an attempt to amplify their voices in international fora. The finance ministers of the 58 members have established the Vulnerable Group of Twenty (V20) to work on economic responses and questions around climate finance—discussed in more detail in Box 1.[2] We code a binary indicator equal to one if an IMF member-state is also a member of the V20 and zero otherwise. Fifty-seven of the 58 members of the V20 are also IMF member-states (all countries except Palestine).

Box 1: The Vulnerable Group of Twenty (V20)

On 8 October 2015, twenty countries from Africa, Asia, the Caribbean, Latin America, and the Pacific met to establish a new international economic cooperation actor: the Vulnerable Twenty (V20) Group of Ministers of Finance. The 20 founding members are home to over 500 million people (today's 58 members: more than 700 million) and share the priority of facilitating 'the transition to a low carbon, resilient global economy.' To achieve this objective, the V20 has defined three pillars: mobilize and deliver climate finance; boost capacity through the exchange of best practices; and outreach and advocacy.

The governance of the group consists, at the highest level, of the V20 Minister of Finance meeting twice a year. Between these meetings, a V20 Working Group that includes designated focal points from V20 governments/ institutions, monitors progress and convenes virtually every two months. Finally, an ad hoc secretariat of the Climate Vulnerability Forum hosted by UNDP supports V20 activities, communications and provides other assistance (V20 2015).

We employ this measure to study the voice and representation of climate-vulnerable developing countries in formal governance and decision-making of the IMF, at three distinct levels: within the IMF, within constituencies, and in the boardroom. First, we calculate the quota and vote share of the V20 in the IMF (IMF 2024b). Our argument indicates that a

[2]As per December 2023, an additional 10 countries are incoming members of the V20: Dominica; Jordan; Mozambique; Namibia; Pakistan; Paraguay; Sierra Leone; Togo; Tonga; Trinidad and Tobago. In our baseline analysis, we exclude these countries since they are not yet formally members of the V20, but we present results including these countries in Appendix A2.

mismatch of formal power and exposure to IMF policy influence and conditionality resulted in a lack of accountability to borrowers and undermined development, alongside with the ability to build resilience towards climate change. For a fuller picture of the relationship between the V20 and the IMF, we also calculate the V20's share of IMF programs since 2000, collected from the IMF's MONA database (IMF 2024c), the share of member-states, the share of the population (WDI 2020), and historical greenhouse gas emissions. For the IMF to be a legitimate actor in climate policy, it needs to be accountable and responsive to the needs of all people and member-states.

Second, we examine the distribution of votes in the IMF Executive Board where everyday decision-making takes place (IMF 2024a). The IMF Executive Board assigns the 190 member-states into one of 24 constituencies, each representing one seat on the Board. The 24 Executive Directors (or their Alternates) meet in formal sessions approximately three times per week to discuss, approve, and review lending programs, surveillance activities, and any other pending issues. Since countries are organized in constituencies at the Board, they do not vote for themselves. Instead, the Executive Board members of each constituency act on behalf of all the countries they represent. We thus seek to identify how the members of the V20 are organized and distributed within these constituencies—both with regard to their presence and weight.

Finally, we look at direct representation—that is, whether or not a national of the V20 has a seat at the discussion table within the Board. States regularly vie for influence and want to be closely involved in decision-making because they anticipate material benefits; for example, this has been observed not only in the IMF (Malan 2018), but also in the World Bank (Kaja and Werker 2010) or the European Investment Bank (Asatryan and Havlik 2020). To this end, we have identified the nationalities of Executive Directors and their delegates, Alternate Executive Directors, as of January 2024 (IMF 2024a).

Beyond these descriptive analyses, we briefly evaluate the Fund's Climate Strategy. This serves as a first indication of whether the formal power, or lack thereof, of climate-vulnerable

developing countries in the Executive Board has implications for its climate advice.

4 Results

The following two subsections present the results of the analysis of climate-vulnerable developing countries' representation in formal decision-making and the assessment of the IMF's Climate Strategy, respectively. Taken together, we find that the V20 lack formal voting power relative to a number of characteristics, and early indications are that this hinders their influence in shaping the Fund's climate policy.

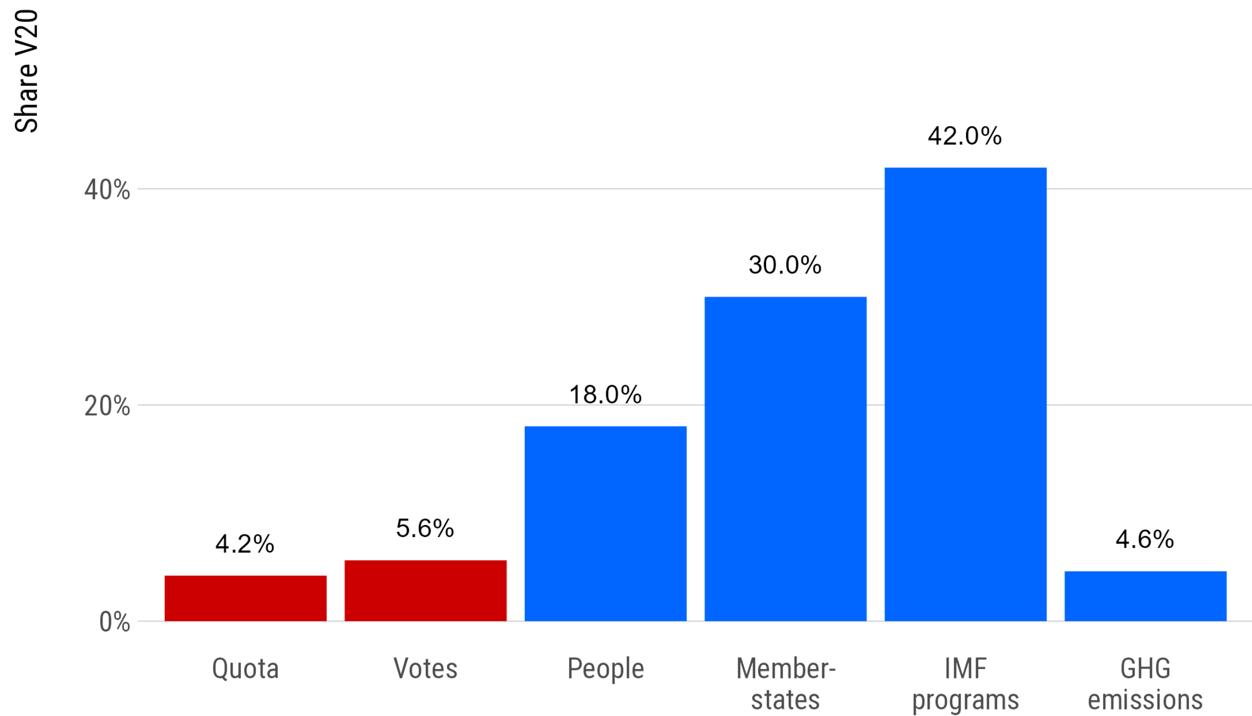
4.1 Voice and representation

We first consider the overall representation of climate-vulnerable developing countries in the IMF, alongside other key characteristics. As shown in Figure 1, member-states of the V20 have quotas that amount to 4.2% of the total, translating into 5.6% of the total vote shares. This stands in stark contrast to their representation in the world and their use of IMF resources—the V20 are home to more than 1.7 billion people (18.0%), they represent 30% of the Fund's membership, and implemented 42.0% of IMF conditional lending programs over the last two decades. Many of these countries are currently at high risk of debt distress again, lack fiscal space, and are not making needed investments in climate adaptation (Chamon et al. 2022). Crucially, they also only account for 4.6% of greenhouse gas emissions (GHGs) between 1990 and 2020, despite being amongst the countries most susceptible to natural disasters and disruptions from global warming (Georgieva et al. 2022).

In practice, however, the V20 is hardly able to act collectively in the IMF because, as mentioned above, the 190 member-states are grouped into 24 constituencies at the Executive Board. We consider how the V20 is represented across these chairs in Figure 2.[3] For each of

[3]We use the terms constituency and chair interchangeably unless we capitalize the latter in which case the Chair is the Executive Director. Afghanistan is the only V20 member that is currently not represented on the IMF Executive Board.

Figure 1: The V20's formal power in the IMF

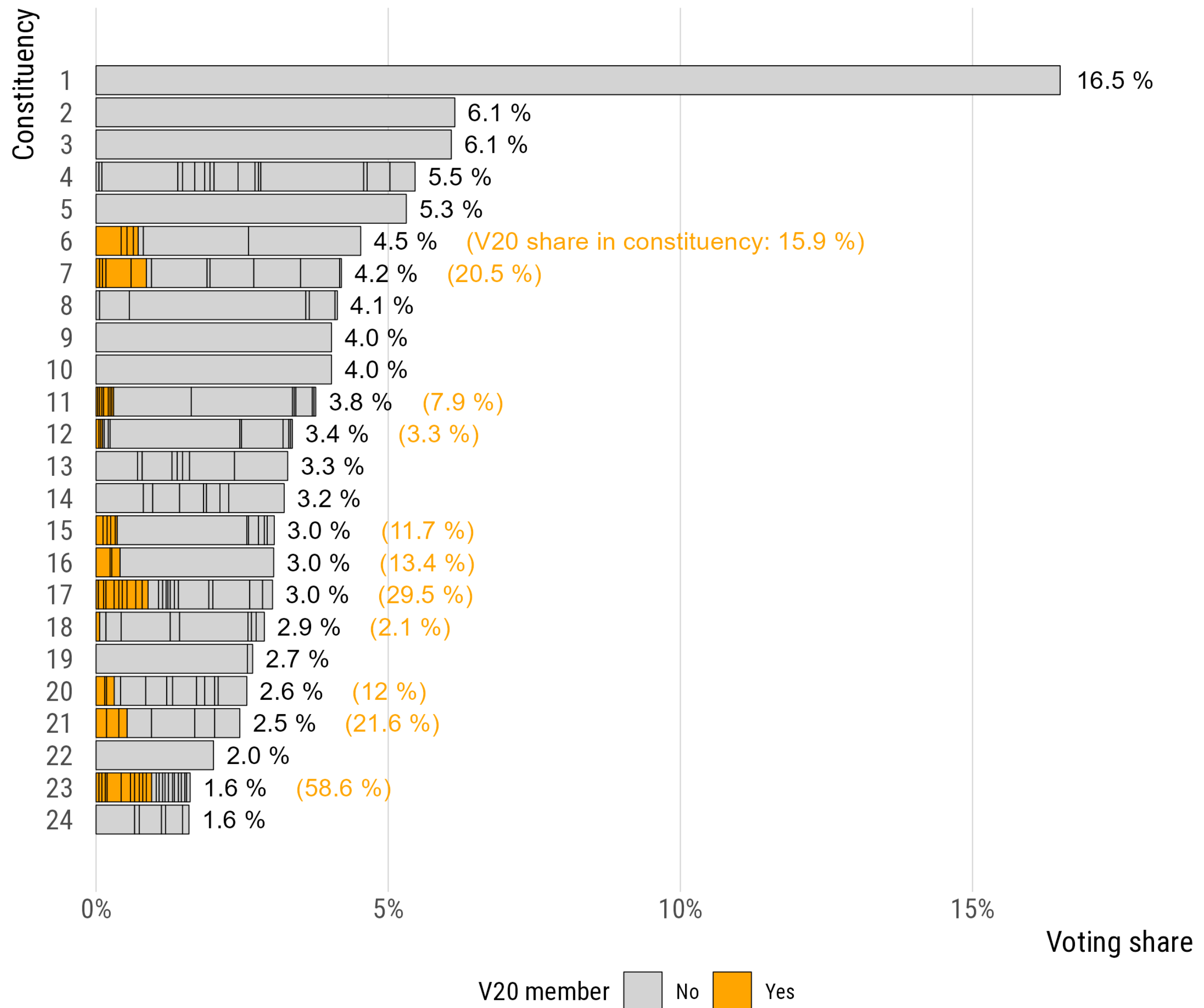


Source: Authors' calculation based on IMF (2024b)
Notes: Population is based on 2022 or most recent values (WDI 2020). Share of programs refers to all IMF programs since 2000 (IMF 2024c).

the 24 constituencies, the visualization stacks the voting power of all countries horizontally on top of each other, and displays two pieces of information: the constituency's share of total IMF votes (numbers in grey to the right of the bars); and the V20 members' vote share within a constituency (numbers in yellow to the right of the bars). As discussed, the largest shareholder is the United States, which commands 16.5% of the votes and leads a single-country constituency. Similarly, Japan, China, Germany, France, the United Kingdom, and Saudi Arabia have their own constituency. The number of countries represented in each constituency varies significantly, from those representing a single country, to some that include over 20 member-states. Out of 24 chairs, 11 have at least one member of the V20. The largest constituency with climate-vulnerable developing countries commands 4.5%. This constituency is led by Spain and Mexico, and includes the V20 countries Colombia, Guatemala, Costa Rica, and Honduras, as well as El Salvador—these countries command 15.9% of the votes within that constituency. By contrast, the Francophone African constituency with 23 members, of which 11 belong to the V20, has only 1.6% of formal votes. In Appendix A1, we also list all member-states, their constituency (identified by the id on the left-hand side of the plot), and their vote shares.

The total votes of constituencies with V20 presence amount to 34.6%. But it would be wrong to equate that to the formal power of climate-vulnerable developing countries in the IMF because the distribution of votes within a chair matters, too. In many cases, V20 members are paired in a constituency with much larger and more powerful countries, which can then play the dominant role in the position taken by all constituents. For instance, India is in a constituency with three members of the V20, but it commands 86.3% of that constituency's votes. In fact, the V20 has a majority in only one constituency: the Francophone African chair, which is one of the chairs with the least amount of voting power and the highest number of countries. In total, the V20 members command 58.9% of the 1.6% votes of that constituency, a majority only recently obtained due to Chad and Côte d'Ivoire joining the V20 in 2022.

Figure 2: V20 representation in the IMF Executive Board



Source: Authors' calculation based on IMF (2024a)
Notes: All 24 constituencies are depicted as stacked bar plots, where each line within a bar delineates a member-states of a constituency. V20 members are colored in yellow. Grey numbers indicate a constituency's votes in percent of the total; orange numbers refer to the V20's vote share within a constituency. Data are accurate as of January 2024.

At the other end of the extreme, climate-vulnerable developing countries, mostly Caribbean countries, command a mere 3.4% in the Canadian-Irish chair, or 2.2% in the case of Kyrgyz Republic as the only V20 member in the Swiss-Polish constituency. Most V20 members command a minority of the voting power in the constituencies they are placed in. In turn, their views are less likely to be reflected in the constituency position, especially if they share the constituency with wealthy member-states that have diverging views on climate change.

Finally, we examine the role of individuals holding important positions on the Executive Board. We are particularly interested in whether nationals of the V20 have a direct seat at the table. Even if they command smaller voting shares, being directly involved in the decision-making grants them better access to information and more opportunities to interact with other Executive Directors, management, and staff (Forster 2024). The V20 are directly represented in four constituencies at the time of writing (as of January 2024):

- the Alternate Executive Director in the largest Latin American constituency (4.5%) is from Colombia
- the Alternate Executive Director in the India-led chair (3.1%) is a national of Sri Lanka
- the Alternate Executive Director in a Middle Eastern-North African constituency (2.5%) is Moroccan
- the Executive Director in the Francophone African chair (1.6%) is a Guinean citizen

This direct representation may be able to somewhat counter the lack of vote shares. Yet many chairs, including the Francophone African constituency, rotate the positions of Executive Director and Alternate Executive Director every two years according to a pre-set schedule, so holding these seats is temporary. But individuals in the IMF are likely to heighten their impact if they serve on the Executive Board for an extended period of time that allows them to cultivate networks with staff, management, and peers, and become familiar with Fund procedures and principles (Forster 2024). Thus, rotation rules may undermine the voice and representation of climate-vulnerable developing countries.

4.2 Assessing the IMF's Climate Strategy

In addition to the descriptive statistics, we also assess the Fund's Climate Strategy with a view of understanding the underlying power dynamics. This is a largely exploratory endeavor, given that the IMF's approach to climate change is still evolving. Academic scholarship on this subject is therefore still relatively scarce, although policy reports offer first insights into the ongoing efforts (e.g., Kentikelenis et al. 2022; Stubbs and Kentikelenis 2022). Nonetheless—as we show in the following—we can already identify a number of obstacles to a more ambitious and equitable climate policy, and these obstacles are often rooted in the unequal distribution of power in the IMF's governance structure.

After years of inconsistent and ad hoc coverage of climate issues, the 2021 IMF Climate Strategy set out to chart a path for the Fund to design a coherent framework and approach on how to incorporate climate considerations into all its operations. The Climate Strategy laid out the plans to increase the resources allocated for research on climate issues, and the development of tools and framework to be used for surveillance, capacity development, and lending programs years (IMF 2021a). IMF management are vocal proponents of the Fund's involvement in climate change (e.g., IMF 2021b), and considerable resources are dedicated to research—the establishment of IMF Staff Climate Notes, a series of analyses pertaining to the impact of climate change on financial stability, and the establishment of a climate-related lending facility all testify to this.

Upon closer inspection, however, some issues arise. Instead of a fundamental overhaul of IMF frameworks and policies, the Climate Strategy proposes the development of new, additional models and tools to consider climate issues in separate analyses, to be conducted for each member-state at most every three years (IMF 2021a). There is little indication much will change in the IMF's approach to policy measures because the IMF cites 'green measures' for fiscal adjustment as examples of the type of climate policies it is looking to incorporate in its programs (IMF 2021a, 20). A carbon pricing strategy is at the core of the IMF's preferred policy response to climate mitigation as well as structural reforms to

liberalize energy markets (IMF 2022). This strategy, reliant on price signals and markets to deliver the transition to a low-carbon economy, suggests an approach that draws many parallels to earlier IMF programs. Furthermore, large emitters mostly fall outside the scope of IMF influence and this approach is therefore unlikely to have a substantial impact on overall global emissions. Early independent assessments corroborate this ambiguous stance. For instance, an analysis of lending programs for Argentina and Pakistan in the aftermath of the pandemic yields 'mixed messages': While energy subsidy reductions and redistributive measures can support a just green transition, the IMF potentially undermined such action by encouraging investments in fossil fuel extractions (Argentina) or removing tax breaks for renewable energy companies (Pakistan) (Stubbs and Kentikelenis 2022).

Related, the IMF Climate Strategy mentions the benefits of consulting climate-vulnerable IMF members in its process to build a framework for climate policy, yet it offers no formal process to do (IMF 2021a). Even if consulted by the IMF, the Fund would be under no obligation to incorporate the demands of the V20. The IMF's largest shareholders—countries that bear historical responsibility over climate change but resist liability over it—have conflicting interests. For instance, the United States has already impeded progress on climate action within the UNFCCC, where it conditioned its ratification of any climate treaty on the move away from an approach focused on legally binding emissions targets for developed countries to one that allows for voluntary contributions from all countries (Kuyper et al. 2018). Thus, despite this paving the way for the Paris Agreement to be adopted in 2015, the subsequent shift in approach resulted in challenges around its implementation (Kinley et al. 2021).

The design of the IMF's first lending facility that offers long-term climate-related financing suggests that similar dynamics are at play today. The IMF established the Resilience and Sustainability Facility (RSF) to provide longer-term loans for countries seeking to build resilience on climate and pandemic-related issues (IMF 2022). the V20 did welcome the idea because members requested a facility of such type. However, a core ask of the V20 side

was for those resources not to be linked to a traditional IMF program (V20 2021). Their demand was ignored, and a concurrent IMF program is a requirement to request financing through the RSF (IMF 2022). For the IMF's advice to be aligned with Green, Resilient and Inclusive Development (GRID) objectives, the Fund would need to reform all conditionality (Kentikelenis et al. 2022), including those programs that are seen as requirements for the new climate funding.

As shown above, one of the reasons why demands from the V20 can be ignored is due to the IMF's governance structure—and the formal underrepresentation of climate-vulnerable developing countries. Reforming the IMF's governance structure is thus an important lever for low- and middle-income countries. And it is an issue with a long history in the Fund. Calls for reform increased at an unprecedented scale during a period of rapid growth by emerging market economies after the turn of the century (e.g., Bradlow 2006; Kelkar et al. 2004; Mirakhor and Zaidi 2006; Rapkin and Strand 2006; Woods 2001). Since the IMF was established, 16 reviews of quotas have been concluded, of which ten resulted in an increase of quota shares. The largest increase took place during the 14th review in 2008 when quota shares were ultimately doubled quota shares and the shares of emerging and developing countries increased by more than 6%. The quota reform was far from straightforward and demonstrates the United States' influence and the difficulties surrounding a shift in the power balance at the IMF. After reluctantly agreeing to the reforms (which maintained its veto power), the United States delayed domestic approval of these changes and stalled the implementation for years (Vestergaard and Wade 2015; Wade and Vestergaard 2015). As a result, the quota increase formally approved in 2010 became effective only in 2016. No changes were made during the 15th review of quotas concluded in December 2020, which instructs the Executive Board to revisit the adequacy of quotas and its guiding formula in the upcoming review. Most recently, in 2023, the 16th review was concluded with an increase in quotas, but once again, no quota shares were realigned (IMF 2023).

Together, the underrepresentation of climate-vulnerable developing countries and powerful

member-states' reluctance to reform the quotas does not bode well for the IMF's climate policy. Its democratic deficit is likely to increase, and the competing interests of powerful shareholders and management may not achieve meaningful change in operations and culture. The situation is reminiscent of the World Bank's efforts at governance and anticorruption reform between the mid-1990s and early 2000s when new external demands clashed with organizational culture (Weaver 2008). Observes thus note that the geopolitical reshuffling and an increase in alternative lending sources (e.g., regional financial arrangements) adds pressure for economies in the Global North to recognize the importance of governance reform, and deliver on it (Mohan 2021). The descriptive analysis of the V20 in the IMF and the exploratory analysis of the Fund's Climate Strategy corroborate this.

5 Conclusion

We have argued that especially when international organizations try to adapt to changing external circumstances, concomitant reform of the formal governance structure is important. Climate change is an issue caused predominantly by countries in the Global North, but it is these countries that have the most say in global governance and hold overwhelming influence on institutions such as the IMF. By contrast, climate-vulnerable countries are underrepresented—we have shown that in the IMF, the 57 members of the V20 that identify as climate-vulnerable developing countries command only 5.6% of formal votes. This mismatch of power and climate vulnerability casts doubt on the effectiveness and legitimacy of the Fund as a climate actor, and it may give rise to organized hypocrisy, rather than lead to sustainable change.

Before discussing the implications of our research, we note two limitations. First, our inquiry emphasized the formal distribution of power in the IMF. Of course, informal governance is equally, if not more, important for understanding decision-making in international politics. State representatives, staff, and management negotiate, meet, and discuss not only in formal

session, but also behind the scenes—and in these venues, formal voting shares may matter less when state representatives are able to engage in their own capacity and independently from the priorities of their governments (e.g., Forster 2024; Hibben 2015; Kentikelenis and Seabrooke 2017). We therefore encourage future research that examines the role of informal governance in the IMF and climate change. Second, our study offers one snapshot in time. Since the climate crisis and the Fund's approach to it are constantly evolving, we call for continued scholarly engagement with institutional change.

The IMF Climate Strategy acknowledges the goals of the Paris Agreement and references its equity considerations that recognize the principle of common and differentiated responsibility (IMF 2021a). This principle calls for wealthy countries to support the transition of developing countries—demands lately echoed by the IMF's Managing Director (Georgieva et al. 2022). Yet as things stand, decisions on establishing the frameworks and tools to incorporate any equity considerations within IMF climate policy will be made by the United States and its Western allies, i.e., countries that have historically contributed the largest emissions. Under the IMF's current governance structure, the countries, and people, most impacted by its policies have the least say in how policies are designed and have little recourse to hold the IMF accountable.

So, what do we need to avoid organized hypocrisy and create sustainable and ambitious IMF climate action, which can help the world achieve its collectively agreed upon climate targets? Meaningful reform of the IMF's quota structure is a necessary step. Powerful member-states have a history of resisting reforms that would decrease their formal voting power at the Fund. For now, the IMF's climate policy is likely to be neither effective nor legitimate. The IMF is already a last-resort venue, and countries that have access to alternative borrowing arrangements or liquidity support consistently choose those above the IMF (Mühlich and Fritz 2021). If the institution continues to be driven by the interests of a few selected powerful member-states, it risks losing relevance in a changing environment.

Quotas matter not only because of their implications for influence on decision-making—

the main focus of our study. In addition, and for some countries even more importantly, the quota share also determines the financial support available to member-states. Current debates often center on increasing the pledges for the new Resilience and Sustainability Trust. However, the projected climate needs of prospective borrowers surpass the drawings allowed by the quota shares, thereby making the reform of access restrictions and limits more urgent (Camps Adrogué and Plant 2023).

Increased geopolitical tensions and competition present an existential threat to the IMF's position and influence and should therefore convince the powerful countries that call the shots of the urgency of more balanced global governance. Ceding some of their power within the IMF would still be in the interest of these countries, and a preferable option over no influence at all. The recent 16th review of quotas provided a window of opportunity for recalibrating the balance of power within the IMF and reforming it into an institution that is fit to address the challenges of the 21st century—a window that is now closed. The Executive Board will revisit a potential quota realignment in time for the 17th quota review. Our research suggests the Fund could improve its standing in global climate governance by reframing governance reform from a 'zero-sum' game (in which actors can only improve their position by someone else losing out on the same magnitude) to a 'win-win' situation where climate-vulnerable countries are better represented.

- The IMF's extensive influence over development and its role in the global financial safety net gives it a prominent role in shaping climate policy.
- The countries historically responsible for most carbon emissions hold disproportionate decision-making power at the IMF, whereas those least responsible for, and most affected by, the climate crisis have little.
- Ambitious governance reforms that increase the voice of climate-vulnerable developing countries in decision-making are necessary to make the Fund's climate policy more equitable, facilitate a global just transition, and strengthen the IMF's legitimacy.

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A Voting power and constituencies

Table A1: IMF Executive Board: Voting power and constituencies

ID	Constituency members	Const. votes (%)
1	United States (16.5%)	16.5
2	Japan (6.14%)	6.14
3	China (6.08%)	6.08
4	Andorra (0.05%); Armenia (0.05%); Belgium (1.3%); Bosnia and Herzegovina (0.08%); Bulgaria (0.21%); Croatia (0.17%); Cyprus (0.09%); Georgia (0.07%); Israel (0.41%); Luxembourg (0.29%); Moldova (0.06%); Montenegro (0.04%); Netherlands (1.76%); North Macedonia (0.06%); Romania (0.39%); Ukraine (0.43%)	5.46
5	Germany (5.31%)	5.31
6	Colombia (0.43%); Costa Rica (0.1%); El Salvador (0.09%); Guatemala (0.11%); Honduras (0.08%); Mexico (1.8%); Spain (1.92%)	4.53
7	Brunei Darussalam (0.09%); Cambodia (0.06%); Fiji (0.05%); Indonesia (0.95%); Lao PDR (0.05%); Malaysia (0.75%); Nepal (0.06%); Philippines (0.43%); Singapore (0.8%); Thailand (0.67%); Tonga (0.03%); Viet Nam (0.26%)	4.2
8	Albania (0.06%); Greece (0.51%); Italy (3.02%); Malta (0.06%); Portugal (0.44%); San Marino (0.04%)	4.13
9	France (4.03%)	4.03
10	United Kingdom (4.03%)	4.03
11	Australia (1.33%); Kiribati (0.03%); Korea, Rep. (1.73%); Marshall Islands (0.03%); Micronesia, Fed. Sts. (0.03%); Mongolia (0.04%); Nauru (0.03%); New Zealand (0.28%); Palau (0.03%); Papua New Guinea (0.08%); Samoa (0.03%); Seychelles (0.03%); Solomon Islands (0.03%); Tuvalu (0.03%); Vanuatu (0.03%)	3.78
12	Antigua and Barbuda (0.03%); Bahamas, The (0.07%); Barbados (0.05%); Belize (0.03%); Canada (2.22%); Dominica (0.03%); Grenada (0.03%); Ireland (0.71%); Jamaica (0.1%); St. Kitts and Nevis (0.03%); St. Lucia (0.03%); St. Vincent and the Grenadines (0.03%)	3.37
13	Denmark (0.71%); Estonia (0.08%); Finland (0.51%); Iceland (0.09%); Latvia (0.09%); Lithuania (0.12%); Norway (0.77%); Sweden (0.91%)	3.28
14	Austria (0.81%); Belarus (0.16%); Czechia (0.46%); Hungary (0.41%); Kosovo (0.05%); Slovak Republic (0.23%); Slovenia (0.15%); Turkiye (0.95%)	3.22

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ID	Constituency members	Const. votes (%)
15	Brazil (2.22%); Cabo Verde (0.03%); Dominican Republic (0.12%); Ecuador (0.17%); Guyana (0.07%); Haiti (0.06%); Nicaragua (0.08%); Panama (0.1%); Suriname (0.05%); Timor-Leste (0.03%); Trinidad and Tobago (0.12%)	3.07
16	Bangladesh (0.24%); Bhutan (0.03%); India (2.63%); Sri Lanka (0.14%)	3.05
17	Angola (0.18%); Botswana (0.07%); Burundi (0.06%); Eritrea (0.03%); Eswatini (0.04%); Ethiopia (0.09%); Gambia, The (0.04%); Kenya (0.14%); Lesotho (0.04%); Liberia (0.08%); Malawi (0.06%); Mozambique (0.07%); Namibia (0.07%); Nigeria (0.52%); Sierra Leone (0.07%); South Africa (0.63%); South Sudan (0.08%); Sudan (0.15%); Tanzania (0.11%); Uganda (0.1%); Zambia (0.22%); Zimbabwe (0.17%)	3.02
18	Azerbaijan (0.11%); Kazakhstan (0.26%); Kyrgyz Republic (0.06%); Poland (0.84%); Serbia (0.16%); Switzerland (1.17%); Tajikistan (0.06%); Turkmenistan (0.08%); Uzbekistan (0.14%)	2.88
19	Russian Federation (2.59%); Syrian Arab Republic (0.09%)	2.68
20	Bahrain (0.11%); Egypt, Arab Rep. (0.43%); Iraq (0.36%); Jordan (0.1%); Kuwait (0.41%); Lebanon (0.15%); Maldives (0.03%); Oman (0.14%); Qatar (0.17%); Somalia (0.06%); United Arab Emirates (0.49%); Yemen, Rep. (0.13%)	2.58
21	Algeria (0.42%); Ghana (0.18%); Iran, Islamic Rep. (0.74%); Libya (0.34%); Morocco (0.21%); Pakistan (0.43%); Tunisia (0.14%)	2.45
22	Saudi Arabia (2.01%)	2.01
23	Benin (0.05%); Burkina Faso (0.05%); Cameroon (0.08%); Central African Republic (0.05%); Chad (0.06%); Comoros (0.03%); Congo, Dem. Rep. (0.24%); Congo, Rep. (0.06%); Cote d'Ivoire (0.16%); Djibouti (0.04%); Equatorial Guinea (0.06%); Gabon (0.07%); Guinea (0.07%); Guinea-Bissau (0.03%); Madagascar (0.08%); Mali (0.07%); Mauritania (0.05%); Mauritius (0.06%); Niger (0.06%); Rwanda (0.06%); Sao Tome and Principe (0.03%); Senegal (0.09%); Togo (0.06%)	1.62
24	Argentina (0.66%); Bolivia (0.08%); Chile (0.38%); Paraguay (0.07%); Peru (0.29%); Uruguay (0.11%)	1.59

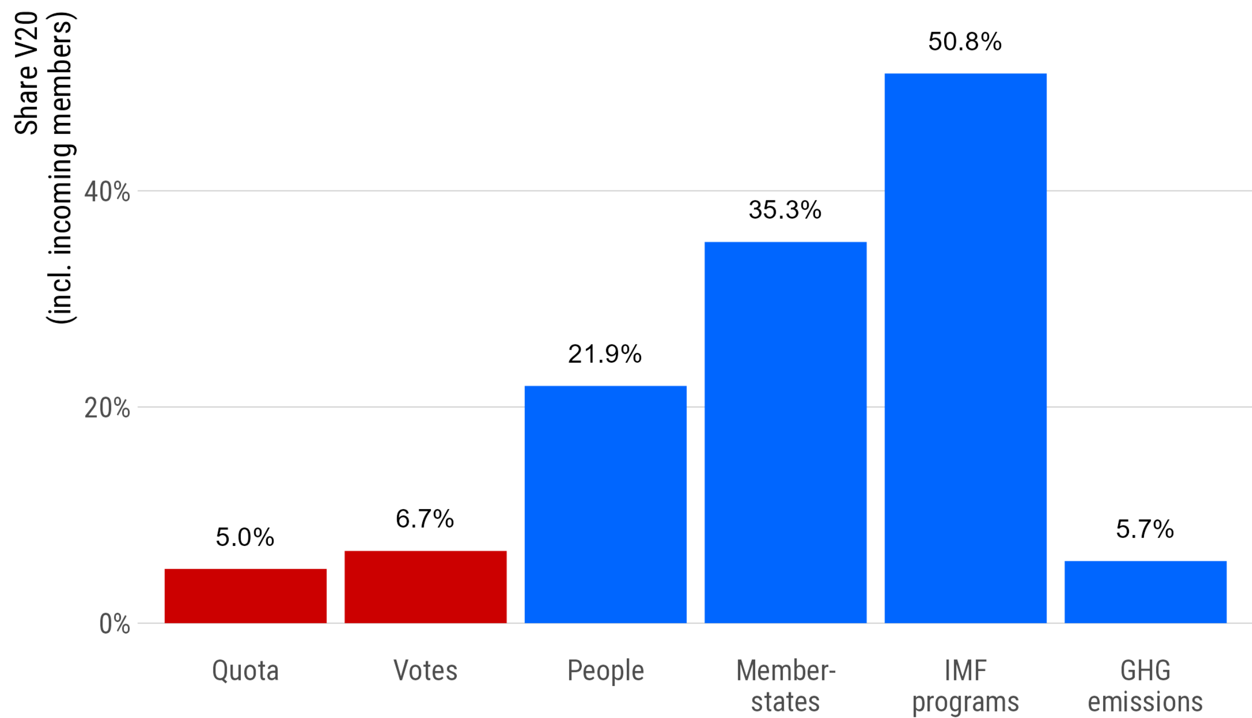
Notes: Member-states organized by constituency, share of total votes per member-state in parentheses, total constituency vote in third column. Constituencies are listed in descending order by total vote share; constituent members within chairs are listed in alphabetical order. Data accurate as per January 2024 (IMF 2024a,b). Afghanistan (0.09%), Myanmar (0.09%), and Venezuela, RB (0.77%) are currently not represented on the IMF Executive Board.

B V20 including incoming members

As discussed in the main body of the text, the V20 currently consists of 58 members, all of which except Palestine are IMF member-states. However, as of January 2024, 10 additional countries are expected to become members of the V20 shortly: Dominica; Jordan; Mozambique; Namibia; Pakistan; Paraguay; Sierra Leone; Togo; Tonga; and Trinidad and Tobago.

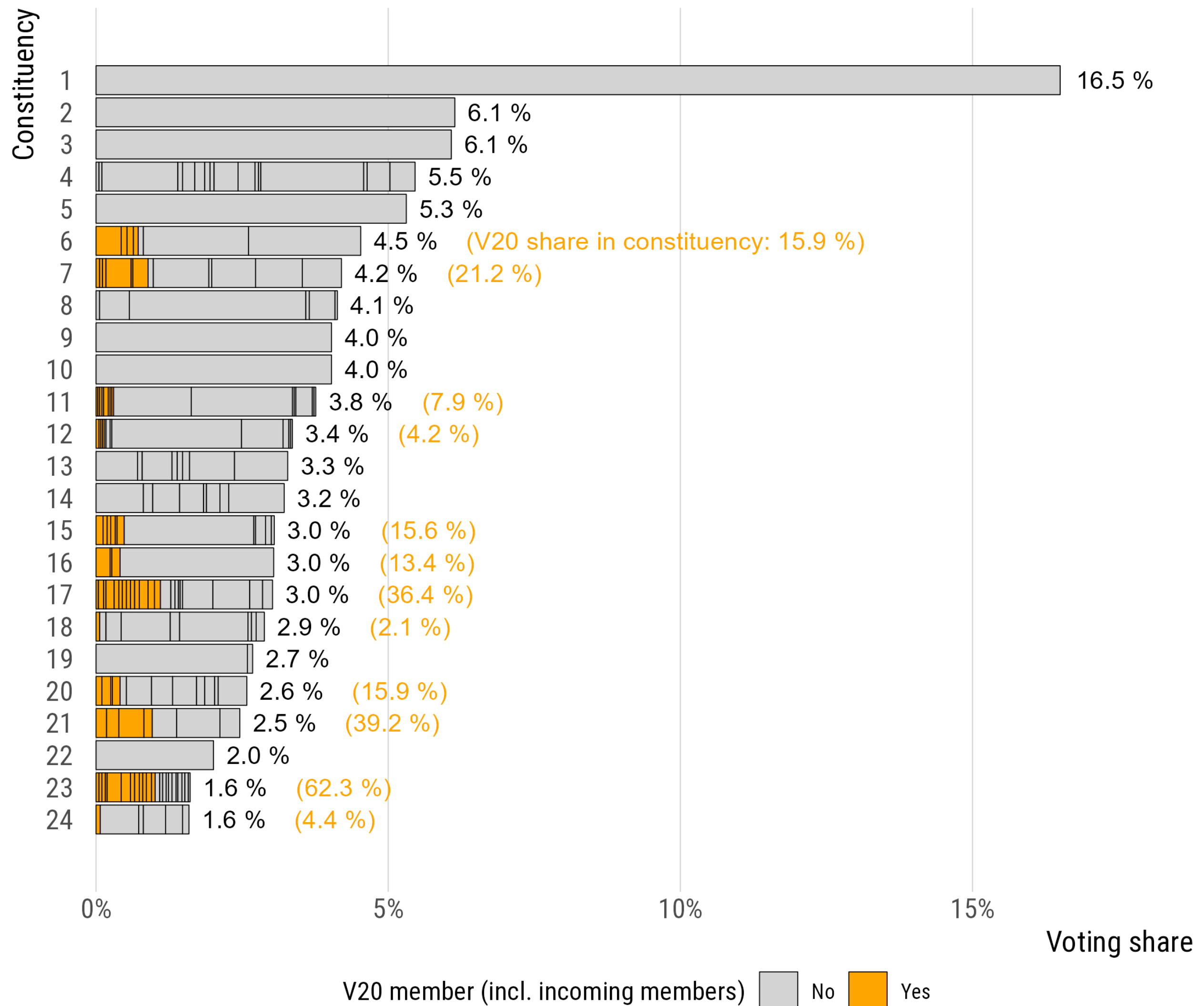
In Figures B1 and B2, we therefore re-estimate the 'new' V20's vote shares and distribution across the Executive Board. The total vote share increases only marginally from 5.6% to 6.7%. In addition, they are now represented in half of the 24 constituencies, but they continue to account for the majority of votes in only one chair, the Francophone African constituency that commands 1.6% of the total votes.

Figure B1: The V20's formal power in the IMF



Source: Authors' calculation based on IMF (2024b)
Notes: Population is based on 2022 or most recent values (WDI 2020). Share of programs refers to all IMF programs since 2000 (IMF 2024c).

Figure B2: V20 representation in the IMF Executive Board



Source: Authors' calculation based on IMF (2024a)
Notes: All 24 constituencies are depicted as stacked bar plots, where each line within a bar delineates a member-states of a constituency. V20 members are colored in yellow. Grey numbers indicate a constituency's votes in percent of the total; orange numbers refer to the V20's vote share within a constituency. Data are accurate as of January 2024.