

Vulnerable Twenty Group of Ministers of Finance Action Plan

Background

The Vulnerable Twenty Group of Ministers of Finance (V20) was established at a Ministerial meeting on October 8, 2015 in Lima, Peru. The V20 spans twenty low- and middle-income, least developed-, landlocked- and small island countries from Africa, Asia, the Caribbean, Latin America, and the Pacific that are home to well over 500 million people and are highly vulnerable to climate change. Rising heat and sea levels, and projected changes in weather variability and extremes will have pronounced implications for agriculture, energy, fisheries, forestry, transport and tourism as well as the economies of V20 countries. An effective response to climate change will therefore require scaled up finance for necessary low carbon, resilient investments.

Figure 1. V20 Membership



Objectives

The V20 aims to strengthen and promote economic and financial cooperation and action to address climate change risks and opportunities, with the aim to facilitate the transition to a low carbon, resilient global economy by working in three main areas:

- Mobilizing public and private climate finance and other sources of climate finance, including developing improved and innovative approaches to deliver climate finance
- Sharing and exchanging best practices on the economic and financial aspects of climate action
- Engaging in advocacy on climate change, including finance and economics aspects

By doing so, the V20 Action Plan will aim to overcome climate finance access hurdles and boost readiness; increase the volume and quality of available international climate finance resources; maximize national resource mobilization opportunities.

Action Plan

Vulnerable countries face hurdles in accessing and mobilizing financial resources for climate action due to economic, human and institutional capacity constraints.

Internationally there has been steady progress towards the goal of mobilizing \$100bn a year in public and private finance for climate action in developing countries, and the Green Climate Fund has been established with pledges of around \$10 bn for its initial implementation period. Historical climate finance flows however have been weighted towards mitigation actions (over 90%) highlighting a critical imbalance in the face of vulnerable countries' exposure to large-scale climate shocks.

Nevertheless the V20, and other developing countries, are already taking pioneering action across a wide range of climate finance solutions. These include, among other things: green bonds, catastrophe bonds and other risk sharing and insurance mechanisms, concessional guarantees, debt swaps, non-financial de-risking programs, fiscal coding initiatives, and feed-in tariffs.

Going forward, V20 countries require tailored finance solutions that avoid further indebtedness, enhance national capacity and readiness, and help to remove barriers for delivering and mobilizing finance. This action plan aims to address these needs and unlock the full potential of vulnerable countries to pursue climate action, enhance security, maximize co-benefits and opportunities, and in doing so, inspire others around the world.

Pillar I: Mobilizing and delivering climate finance

By Spring meeting 2016/ Annual meeting 2016, the V20 working group will assess the needs and propose actions necessary for increasing the mobilization and delivery of investment for climate action in V20 countries – domestically and internationally. This will include:

- An assessment of current domestic and international finance flows to V20 countries for mitigation and adaptation action that builds on country-owned and country-led development strategies
- Analysis of financing needs and barriers to the mobilization and delivery of public and private climate finance for strategic investments in V20 countries
- Set a specific, measurable and achievable investment goal for 2020 with identified policy actions and strategic investment plan to close the finance gap and de-risking priority investment needs. This will include engagement with key donors and international partners

- Establish targeted action partnerships, with financial and technical partners at the global and regional level, to facilitate policy and financial innovation by V20 countries in national projects.

Pillar II: Boosting capacity through the exchange of best practices

By Spring meeting 2016 / Annual meeting 2016, the V20 working group will articulate a dialogue and knowledge sharing plan around key financing topics necessary to support Pillar I. This will include among other things:

- Identifying priority topics for dialogue focused on knowledge gaps and activities that help address barriers to the delivery and mobilization of climate finance in V20 countries.
- Placing emphasis on the exchange of best practices within the V20 and beyond.
- Engaging government, business, regional and international financial and development partners, relevant experts and civil society in dialogue around solutions.
- Building the capacity of V20 government institutions at the national level to overcome climate finance challenges and apply innovations. Complementing this with targeted technical assistance to complement longer term capacity building programs.
- Establishing a platform for consolidating, packaging and disseminating the collective learning from national and international dialogue in a format that is accessible and practical for use by policy makers and the business community.

Pillar III: Outreach and advocacy

By Paris/ Spring meeting 2016/ Annual meeting 2016, develop an outreach plan for the V20 to:

- Provide a platform for the V20 work jointly to advocate for climate action
- Demonstrate leadership from V20 countries
- Facilitate engagement with key financial, technical assistance and knowledge partners

Timeframe

The Action Plan will span 5 years and based on a consultative process. The plan will be reviewed at mid-term and adjusted as needed and agreed with V20 Finance Ministers.

Governance

The V20 Ministers of Finance will meet twice a year to assess progress on the action plan milestones and deliverables in the Spring and Autumn sessions of the WBG/ IMF meetings.

A V20 Working Group, comprising designated focal points from V20 governments/ institutions, will monitor progress between meetings, convening virtually every two months.

Secretariat support for V20 activities, communications and other assistance is provided by the ad hoc secretariat of the Climate Vulnerability Forum hosted by UNDP.

The V20 operates on a voluntary basis together with, and in cooperation and partnership with, the international community, to promote learning, coordination and complimentary of efforts in support of climate action in V20 countries.

Partners

The Action Plan is centered on Ministries of Finance or equivalent and independent institutions, Central Banks, and other key financial stakeholders including business, relevant academic and civil society groups and other Government institutions.

The V20 aims to collaborate with donors, international financial institutions, particularly the World Bank Group (WBG) and the International Monetary Fund (IMF), and international development partners including among others the United Nations Development Programme (UNDP), regional development banks, business, academic and civil society groups. Support will also be sought from expert bodies with specialized technical knowledge.