V20 MINISTERIAL COMMUNIQUÉ

Ministerial Dialogue X of the Vulnerable Twenty (V20) Group

16 April 2023

Adopted

We, the Ministers and Senior Representatives of the Vulnerable Twenty Group of Ministers of Finance from Africa, Asia, the Caribbean, Latin America, the Middle East, and the Pacific, met in Washington, D.C. on 16 April 2023 during the Spring Meetings of the International Monetary Fund and the World Bank Group to assess progress towards a fit-for-climate global financial architecture capable of delivering development-positive climate action for the most vulnerable and strategies to scale up and speed up financing;

As the world's most systemically climate-threatened economies, the main hurdle that vulnerable countries face is access to timely and concessional financing to realize our ambitions. We lack the resources of our wealthy and major economy counterparts. Our fiscal space is under constant pressure from climate-fueled risks that impact development prospects in multiple ways. Furthermore, the negative effects of climate change are further worsening the already high cost of capital and levels of debt distress facing developing countries today;

Recalling the July 2021 First V20 Climate Vulnerables' Finance Summit Communiqué, the April 2022 V20 Ministerial Dialogue VIII Communiqué, and the October 2022 V20 Ministerial Dialogue IX Communiqué;

Alarmed by the findings of the IPCC 6th Assessment Report on Climate Change and the Climate Vulnerability Monitor (CVM3) on the current and future global economic impact of climate change which disproportionately affects V20 members with worsening debt challenges while pushing long-term sustainable development goals further out of reach. Wealthy and major emitting countries that account for well over 80% of global climate pollution must increase their mitigation ambitions by accelerating the decarbonization of their economies while substantially ramping up their financial obligations to climate-vulnerable states whose development prospects have been significantly eroded because of the effects of climate change;

Expressing grave concern at the continuous failure and delays of the G7 and G20 to align their policies with Paris Agreement goals, a new risk of forgoing what is needed in this critical decade, beyond which the planet will reach and exceed 1.5 degrees Celsius, in addition to multiple and cascading risks now and in the future for the world economy as a whole;

Reaffirming that, despite the immense challenges faced by our 58 economies, the V20 serves as a major growth engine of the world economy, and can contribute to global economic growth, while implementing the V20's Climate Prosperity Plans for its collective population of some 1.5 billion towards in its ambition of a resilient and green transformation which includes the maximizing of adaptation, resilience, and renewable energy;

Reiterating that what's needed on the ground is to urgently draw up economy-wide investment strategies and financing plans focused on delivering resources in the remaining years of this decade, to resolve the lack of trust between climate vulnerable economies and high emitters; and

Moving in concert, we urge multilateral financial institutions and development partners in the 2023 IMF and WBG Spring Meetings in Washington, DC, USA to collaborate towards the development of a New Global Financial Pact in June 2023 and respond decisively including during the 2023 IMF and WBG Annual Meetings in Marrakech, Morocco as well as COP28 in Dubai, United Arab Emirates to the following key priorities in order to ensure a world economy that is fit-for-climate and prioritizes its most vulnerable groups:

1. FIT-FOR-CLIMATE INTERNATIONAL FINANCIAL SYSTEM: ACCRA-MARRAKECH AGENDA

- Operating within a planetary climate emergency, we expect the rewiring of the global financial system to happen as soon as possible within the current decade, and, launching our roadmap following the V20 Ministerial Dialogue X in April 2023, the V20 will work throughout the year, culminating at the Marrakech IMF and World Bank Annual Meetings, to cement an international coalition behind a fit-for-climate global financial system as outlined in our Accra-Marrakech Agenda.

2. OFFICIAL FUND RECOGNITION OF THE V20

- We reiterate our call to the World Bank and IMF to officially recognize the V20 as an official group in the World Bank and IMF, given the V20's unique experience and expertise representing the common priorities and interests of 58 of the world's most climate threatened developing economies, including least developed and middle income countries, small island developing states and nations that typically lack representation

  on monetary and development issues in the deliberations and decisions of the Bretton Woods Institutions. The finance ministers of the V20 have gathered since 2015 during the

Annual and Spring Meetings of the IMF and World Bank, and intend to extend our presence in Washington DC in 2023.

- We seek to contribute to the agendas of the International Monetary and Financial Committee and the joint World Bank Development Committee, as well as other relevant fora.

- We welcome the IMF's efforts to integrate climate change into its work. We call on the IMF to align its lending toolkit with the Paris Agreement by increasing the scale of available financing and by reforming its toolkit to help countries mitigate short-term macroeconomic imbalances in a manner that accelerates medium-term and longer-term climate resilient development pathways.

- We also urge the IMF to better reflect the diversity of national circumstances and approaches to climate policy beyond carbon pricing in its surveillance work. We encourage the IMF to further refine its analytical tools—such as debt sustainability analysis-- to better capture climate risks including cross-border transition risks, and their macro-critical impacts, and resource mobilization needs while also supporting capacity building efforts to strengthen climate policy analysis and the development of domestic markets for sustainable finance.

3. CLIMATE FINANCE

- We urge a decisive way forward to deliver climate finance through an ambitious share of world GDP to secure a sustainable future for the global economy amid the escalating climate emergency, and a downscaling of financial resources that undermine the fight against climate change.

- We call for new quantified climate finance targets to include loss and damage and to be anchored on-the-ground realities consistent with what is actually required to transform economies to expand adaptive capacity, climate resilience, and effect energy transitions that hold warming to the 1.5 degrees Celsius survival limit of the Paris Agreement.

- Having advocated for the USD 500 billion Delivery Plan and an Implementation Plan for how climate adaptation finance can reach an equal footing with mitigation finance, we look forward to the COP27 mandated report by Standing Committee of Finance to report on adaptation finance flows to ascertain progress on the COP26 decision whereby developed countries would ensure at least a doubling of adaptation finance by 2025.

- Firm in our belief that the developing country debt crisis is perpetuated by the climate crisis and triggers a vicious cycle that depresses revenues, exchange rates, while increasing the cost of capital, and responding to climate shocks–all of which exacerbates climate vulnerabilities. We reiterate our call on multilateral financing institutions to deliver at least a doubling in international finance for adaptation within the next 24 months, with all Multilateral Development Banks (MDBs) ensuring their climate portfolios are at least

50% focused on climate adaptation. In particular, we call for the tripling of the concessional International Development Association (IDA) financing for IDA eligible countries.

- We also call for ambitious, large-scale financing programs to be put in place and continuously scaled up in all world regions, especially to support climate adaptation and renewable energy plans of developing countries, with resources flowing at speed and at scale into regional and country programs such as the Africa Adaptation Acceleration Program (AAAP) and Africa Adaptation Initiative (AAI).

- We reiterate our proposal for a guarantee facility through an Accelerated Financing Mechanism for inclusive, sustainable and resilience-building efforts whereby MDBs act as guarantors of restructured debt. This guarantee facility could help move the multilateral efforts on debt relief forward by encouraging diverse creditors to resolve debt workouts in a timely and sustainable manner. We encourage the IMF to play a strategic role through the Resilience and Sustainability Trust in debt restructuring by providing collateral to guarantee restructured debt.

- Noting with concern the findings of the Task Force on Climate, Development and the IMF's assessment report that carbon pricing alone will not be sufficient to meet the investment needs required to shift to a climate-resilient, low-carbon pathway, we renew our call for scaled up international support to enable countries to pursue a big-tent comprehensive approach to achieving development and climate change ambitions.

4. CLIMATE PROSPERITY PLANS AND ECONOMIC COOPERATION

- Through Climate Prosperity Plans (CPPs), we seek to build forward stronger by charting a decade through to a long-term low-carbon transformation strategy of robust socioeconomic development through high quality projects and programs that fully integrates adaptation, resilience, renewable energy and grid modernization.

- We recognize the 2021 to 2023 CPP pipeline countries: Bangladesh, Benin, Costa Rica, DR Congo, Ethiopia, Fiji, The Gambia, Ghana, Kenya, Lebanon, Maldives, Marshall Islands, the Philippines, Rwanda, Senegal and Sri Lanka, and 2024 CPP pipeline countries: Bhutan, Cambodia, Côte d'Ivoire, Democratic Republic of Congo, Dominican Republic, Eswatini, Guatemala, Guinea, Haiti, Kiribati, Liberia, Morocco, Nepal, Nicaragua, Palau, Palestine, Samoa, Tunisia, Uganda and Tuvalu.

- We are determined to realize Climate Prosperity Plans by enabling economic cooperation underpinned by shared prosperity and promoting debt sustainability in climate resilient growth with G7 and G20 through investment and upscaled bilateral/multilateral resources, private sector participation, trade, technology transfer, tourism, manufacturing capacity, skills sharing and training.

5. COST OF CAPITAL

- Any solution for this decade on climate for the most vulnerable will require significant de-risking and credit enhancement to offset high and increasing capital costs for development positive climate action that delivers debt sustainability.

- We seek to mobilize existing and additional multilateral guarantee funds including subsidy accounts for currency hedges to maximize renewable energy and adaptation towards energy security and food security.

6. CLOSING THE FINANCIAL PROTECTION SINKHOLE THROUGH THE G7-V20 GLOBAL SHIELD AGAINST CLIMATE RISKS

- We recognize the urgent need to address the vulnerability of human capital. Climate change is already having a significant impact on livelihoods, food security, housing, and health, particularly in vulnerable communities around the world. We acknowledge that the impacts of climate change are likely to exacerbate existing inequalities, making it even more crucial to take action to protect and support human capital. The protection of human capital must be overarching in our climate change policies, ensuring that the most vulnerable communities have access to the resources and support they need to continue developing while building resilience against the impacts of climate change.

- As part of our Climate Prosperity Plans, we are determined to close the 98% financial protection gap through the G7-V20 Global Shield against Climate Risks through prearranged and trigger-based funds and financing that ultimately builds domestic and regional protection markets for sustainable resourcing of financial and social protection packages to protect our economy, our enterprises and our communities.

- We seek premium and capital support towards building domestic and regional markets through the Sustainable Insurance Facility, and for the key financing vehicles within the G7-V20 Global Shield against Climate Risks to always act in the best interest of their ultimate clients, the climate vulnerable countries and particularly least developed countries and small island developing states.

- We are determined to drive the success of the Sustainable Insurance Facility for enterprises and supply chains and to do so we must not only prepare capital markets to accept risk but also cover last-mile infrastructure to aggregate demand such that risk is priced efficiently and climate-vulnerable populations access effective risk transfer.

- We seek support to rapidly scale-up last-mile capacity in demand aggregators such as supply chains, government agencies, and other institutions which reach climate-vulnerable populations such that efficient infrastructure is in place for large numbers of small individual risks to transfer into contingent group savings and risk pools, as underscored by efforts under the G7-V20 Global Shield against Climate Risks.

- We seek further support for our domestic financial institutions to have cost effective mechanisms to rebuild balance sheets immediately after a shock created by climate-fueled risks.

- We continue to implement the Global Risk Modelling Alliance (GRMA) for risk analytics and modelling support to drive adaptation and resilience efforts and for supply-side capital markets' access to data and capital to accelerate competitive pricing of risk in an environment that is increasingly volatile.

7. CARBON MARKETS

- Further to our commitments on implementing domestic carbon pricing mechanisms and through the V20's Carbon Finance Development Program, we seek to co-create win-win carbon financing exchanges that can help meet global goals, deliver fair-share action, and provide crucial financial support for ambitious climate action that would otherwise not be viable. Specifically, we point to Climate Prosperity Plan projects including natural capital assets, in exchange for returns on investment and internationally transferred mitigation outcomes (ITMOs) which can be credited to relevant investments and debt repayments.

- In addition to bilateral ITMOs with the G7 and the G20, there is an opportunity where, for example, the G7 agree for private actors in the Glasgow Financial Alliance for Net Zero (GFANZ) to undertake Special Drawing for Net Zero through off-balance-sheet investments in exchange for returns on investment and ITMOs on a per annum basis which can be transferred to the G7 or G20 country where the private actor is domiciled. We also look forward to forging more robust and wide-ranging partnerships with business groups, such as GFANZ, We Mean Business, the B Team, and others.

8. LOSS AND DAMAGE

- We urge COP28 to deliver the mandate for the rapid evolution of all multilateral institutions including the Global Environment Facility to fully integrate loss and damage as an instrument, inclusive as a separate new program of work, and a new addition to country envelopes, and for the financial architecture to include loss and damage instruments as part of the composition of support.

- Further to philanthropic funding and non-state government commitments to the V20 Loss and Damage Funding Program, resource mobilization for loss and damage can include wealthy and high-emitting governments, non-state government institutions, Individual and micro-contributions including through crowdfunding and as led by students/youth, non-profit organizations, associations, etc., corporate contributions, innovative financing instruments including financial transactions tax (FTT) on financial trades, carbon pricing and emissions trading revenues, and airfare and transport ticket levies (voluntary or mandatory). We intend to share the expertise from the design and early implementation of the V20 Loss and Damage Funding Program with the international community towards supporting the effective design of other new Loss and Damage funds, including under the UNFCCC.

- We urge COP28 to ensure adequate financing for the COP27-mandated creation of a UNFCCC Loss and Damage Fund, in particular through quantified commitments from wealthy and capable economies that hold high responsibility for causing the climate crisis and the damage and destruction it causes for those least responsible, most exposed and with marginal available resources to respond.

9. AN INDEPENDENT SECRETARIAT

- We resolve to strengthen the institutional support basis that underpins V20 cooperation by setting in motion the establishment of an independent stand-alone secretariat for the CVF and V20,which will be fully accountable to the presidency, Troika, and the national membership. We hereby launch a joint work process between these bodies through the Joint Technical Committee, following the due process of the CVF proceedings, that will conclude steps to advance this effort within six (6) months leading to a permanent arrangement for a new independent legal entity for the CVF and V20 Secretariat.

- Following this V20 Ministerial Dialogue X, we call on our key partners to extend their utmost support at this key stage in our Forum's development towards the expedient establishment of the independent secretariat. We conclude by further noting and appreciating secretariat incubation support efforts of the Global Center on Adaptation, United Nations Development Programme, United Nations Office for Project Services, and other partners of the past, as we enter a more consolidated, coordinated, and more effective stage with an independent secretariat.

Adopted in Washington, DC on 16 April 2023.

MEMBER STATES OF THE VULNERABLE 20 GROUP OF MINISTERS OF FINANCE (V20)

Formed in 2015, the V20 Group of Finance Ministers is a dedicated cooperation initiative of economies systematically vulnerable to climate change. It is currently chaired by the Republic of Ghana. The V20 membership stands at 58 economies representing some 1.5 billion people including Afghanistan, Bangladesh, Barbados, Benin, Bhutan, Burkina Faso, Cambodia, Chad, Colombia, Comoros, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominican Republic, Eswatini, Ethiopia, Fiji, The Gambia, Ghana, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lebanon, Liberia, Madagascar, Malawi, Maldives, Marshall Islands, Mongolia, Morocco, Nepal, Nicaragua, Niger, Palau, Palestine**, Papua New Guinea, Philippines, Rwanda, Saint Lucia, Samoa, Senegal, South Sudan, Sri Lanka, Sudan, Tanzania, Timor-Leste, Tunisia, Tuvalu, Uganda, Vanuatu, Viet Nam and Yemen.

***As a UN non-member observer state*

REFERENCE DOCUMENTS

- Accra-Marrakech agenda draft (link)
- V20 Ministerial Dialogue IX Communique (link)
- V20 Ministerial Dialogue VIII Communique (link)
- V20 Climate Vulnerables' Finance Summit (link)
- Climate Vulnerability Monitor, Third Edition (CVM3) (link)
- V20 Debt Review (link)
- V20 Statement on Debt Restructuring (link)
- V20 Statement on the Resilience and Sustainability Trust (link)
- Climate Vulnerable Economies Loss Report (link)
- V20 Vision 2025 (link)
- V20 Climate Prosperity Recovery Agenda (link)
- Accra-Kinshasa Communiqué (link)
- The International Monetary Fund, Climate Change and Development (link)