V20 Ministerial Dialogue XII Communiqué

Unlocking Growth and Prosperity through Innovations in Climate Finance and Debt

Adopted on 16 April 2024, Washington D.C

We, the Ministers and Senior Representatives of the V20 Finance Ministers of the Climate Vulnerable Forum (CVF) from Africa, Asia, the Caribbean, Latin America, the Middle East, and the Pacific, met in Washington, D.C. United States of America on 16 April 2024, during the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group to discuss, agree, and deploy national, regional, and global strategies to unlock growth and prosperity through innovations in climate finance and debt.

As of this year, the CVF-V20 is an intergovernmental group headquartered in the Africa Trade House, Accra, Ghana. The membership spans 68 economies, representing a population of 1.74 billion people, contributing to 6.55 percent (equivalent to USD3.8 trillion) of global Gross Domestic Product (GDP). Despite V20 economies representing 21.5 percent of the global population, the V20 accounts for around four (4) percent of global greenhouse gas (GHG) emissions.

We reiterate that the widening adaptation finance gap underscores the urgency of immediate action in light of substantial and increasing climate-induced losses. The *Climate Vulnerable Economies Loss Report* estimated that V20 economies have lost approximately USD525 billion over the last 20 years (2000-2019) due to the impact of climate change on temperature and precipitation patterns. In other words, the V20 economies and their people would have been 20 percent wealthier today if not for climate change.

High levels of external sovereign debt and debt service across the V20 economies are crowding out the ability of governments to make the investments required to achieve their climate change and development goals. Not only is tighter fiscal space associated with climate vulnerability but also climate-vulnerable economies continue to face higher costs of borrowing which only fuels a vicious debt cycle where no one wins. In developing countries, the United Nations (UN) Sustainable Development Goals (SDGs) are off track with 30 percent of targets stalled or reversed and 50 percent categorised as insufficient or weak, including hunger and poverty targets. Elevated global interest rates worsen the already limited fiscal space of heavily indebted and climate-vulnerable economies. Almost all V20 countries face private sector capital market interest rates that are higher than projected growth rates for 2028. The V20's total external public and publicly guaranteed debt amounts to USD946.7 billion. External debt servicing is expected to escalate to USD122.1 billion in 2024, from USD78.6 billion five (5) years ago. V20 members are expected to pay USD904.7 billion in debt service over 2022-2030. Eight (8) countries spend over 20 percent of their tax revenue servicing external debt. Debt levels of 18 V20 countries will most likely be unsustainable if they continue to borrow at the rate they have been doing from international capital markets.

Recalling the past 11 communiqués, including the Accra-to-Marrakech Agenda (A2M), the Bridgetown Initiative, the Nairobi Declaration, the SDG Stimulus, and the international financial reform direction shared by the leaders from Africa, the V20 Finance Ministers reiterated their commitment to safeguard 1.5℃ in the Paris Agreement. It is the safest and technically viable option in temperature thresholds, and also because it means all countries would have to contribute – even the smallest of members upholding equity. Otherwise, we will all fail our people. Yet, today, our ability to help win this global fight against climate change is increasingly impaired due to Nationally Determined Contributions (NDCs) that are not aligned to achieve 1.5℃ by 2030. This misalignment reflects a financial architecture that does not correspond with the realities of climate change and shows a lack of political determination to utilise all available resources in the International Financial Institutions (IFIs) toolkit.

We therefore urge the G7, G21, Multilateral Financial Institutions and Development Partners to urgently deepen their engagement, collaborate, respond collectively and decisively to keep to the 1.5℃ of the Paris Agreement. We insist on a fairer global system with global financial safety nets that work for the most climate-vulnerable countries by transforming the international financial architecture through:

1. Voice and Participation of Climate-Vulnerable Developing Countries

- We advocate for a stronger voice and participation of climate-vulnerable developing countries in the global financial system, which will be central to securing durable, comprehensive, and systemic reforms, especially to take forward the A2M and Bridgetown Initiative; and

- We reiterate our call to recognise the V20 as an Official Intergovernmental Group in the Bretton Woods Institutions before the IMF and World Bank Annual Meetings in October 2024. The V20 Finance Ministers have unique contextual experiences and expertise to contribute to the agendas of the International Monetary and Financial Committee (IMFC) and the joint World Bank Development Committee.

2. Cost of Capital

- We urge the international community to ensure that lower-income countries have sufficient access to concessional finance through the tripling of the World Bank's International Development Association (IDA) from USD93 billion to USD279 billion and call for a successful twenty-first round of funding (IDA21) Replenishment Summit this year;

- We call for the expansion of concessional access with new resources for climate-vulnerable countries, especially for countries with extremely poor populations and areas affected by fragility, conflict, and violence. We especially call for Small Island Developing

States (SIDS)-specific financing windows in multilateral finance with access modalities suited to the development and vulnerability context of SIDS;

- We encourage new financing for climate action to be on highly concessional terms, where the overall weighted average cost of capital does not exceed medium-term GDP growth rates, including through 25- to 50-year loans, local currency financing, first-loss capital, and guarantees;

- We reiterate our previous call for the Multilateral Development Banks (MDBs) and the Green Climate Fund (GCF) to issue local currency financing for climate projects and stress the importance of mobilizing existing and additional multilateral guarantee funds, including more concessional financing and even grants;

- We urge MDBs to create grant windows, or at the very least, highly concessional windows for adaptation and resilience;

- We encourage countries with the most traded currencies to create long-term central bank swap arrangements with specific currency covers for investments in green projects in climate-threatened countries and invite the V20 Central Bank Governors Working Group to work in close collaboration with the Task Force on Climate, Development and the IMF to actively pursue this and advance options and modalities for such central bank climate swap arrangements;

- We urge the international financial community, especially credit rating agencies and the reinsurance industry to refrain from unfair risk premiums[1], incomprehensive and inaccurate valuations of our economies that inexcusably drive up the cost of capital, and call for more accountability in these industries; and

- We reiterate our call to the IMF leadership for universal climate risk surveillance through its Article IV processes to inject objectivity into risk assessment and pricing processes.

3. Debt Exchanges for Fiscal Space and New Investment for Debt Sustainability and Climate Action

- We urge the G21 to ensure that debt solutions and the overhaul of the Common Framework include: (a) inclusive participation to involve all creditor classes and debtor

[1] Global property catastrophe reinsurance rates increased by up to 30% on January 1, 2024, for policies that had previously experienced losses. The Global Property Catastrophe Rate-on-Line (ROL) index, which is updated annually after January 1st renewals, increased by 5.4% on January 1, 2024. he index of global property catastrophe reinsurance pricing is now up by 76% since its last low in 2017 and has risen every year since then.. Source:https://www.guycarp.com/company/news-and-events/news/press-releases/january-2024-renewals.html
https://www.artemis.bm/news/global-property-catastrophe-reinsurance-rate-index-2024/

governments including middle-income countries; (b) rapid disbursement of financing as no country can afford to wait the usual 18-36 months for MDB financing; (c) affordable financing – and if it is on a case-by-case program – then each country's funding needs to be tailored where its interest rate is lower than the projected medium-term growth rate; (d) new financing must be sufficiently substantial to trigger growth and generate more revenue for investments and the liquidity required for debt sustainability; and (e) debt relief is directly commensurate with the climate change and development investment needs;

- We reiterate the need for the IMF to "make debt work for the climate" including for their Debt Sustainability Analysis (DSA) to incorporate real climate and development investment and spending needs and the full range of climate risks, and determine what it takes for each country to achieve them, thus moving away from conventional austerity-based measures towards resource mobilization-driven prosperity approaches;

- We underscore the macro-critical nature of climate risks, especially for climate vulnerable economies, and call for enhancement of the DSA methodology to fully reflect climate risks and opportunities for growth enhancing measures, estimation of concessional finance needs, and measures to sustain inflows;

- We encourage bilateral partners and the private sector to work with the V20 on annual debt-for-climate swaps – debt relief/restructuring in exchange for new commitments to invest in green initiatives, often linked to conservation and climate action i.e., for forests management, soil conservation, ocean conservation, renewable energy, and biodiversity, among others;

- We urge the consideration of debt exchanges and/or relief in exchange for green initiatives including those outlined in our Climate Prosperity Plans (CPPs) and other climate investment plans;

- We urge all institutions to normalise Climate Resilient Debt Clauses to include some debt relief, noting that climate shocks are a common driver for nations entering debt distress;

- We encourage the G21 to begin the valuation of natural capital and biodiversity as assets on our balance sheets;

- We expect the Expert Review on Debt, Nature and Climate to consult finance ministers and ministries from climate-vulnerable economies, especially the V20; and

- We invite partners and donors to actively participate in V20-led work programs on debt solutions with member states to create fiscal space, with a view to providing substantive relief to those countries with highly unsustainable debt levels.

4. Climate Prosperity Plans for Economic Cooperation and Domestic Resource Mobilization

- We urge the international community to mobilise resources, deal teams, and green industrial policy support for CPPs as development-positive[2] pipelines of resilient and low-carbon-to-net-zero compatible projects, taking into account climate risk management, technology innovation, economic trade and cooperation, and new funding options;

- Recalling the 28th Session of the Conference of the Parties of the UN Climate Change Conference (UNFCCC COP28) targets of transitioning away from fossil fuels and tripling renewable energy and doubling energy efficiency by 2030, we call on the international community to support our just and equitable energy transitions through CPP country platforms with the following vital components: (a) social protection and livelihood/reskilling opportunities; (b) phase down and phase out fossil fuels with low cost and long-term financing for domestic and regional renewable energy wealth, and storage optimization; (c) legacy liabilities strategies to position countries' energy security with technologies of the future; (d) rapid grid modernization to give assurance to renewable energy investors and operators; and (e) participation and investment in transition/critical minerals and emerging technologies including processing, recycling and green hydrogen industries, among others;

- We reiterate the importance of the use of carbon finance as net-zero development finance to realise near-term investments for our CPPs. This will deliver fair-share action with returns on investment and Internationally Transferred Mitigation Outcomes (ITMOs) credited to relevant investments that sink carbon and biodiversity credits to protect nature including coral reefs, and to ensure on the guardrails necessary for environmental integrity;

- To enable progress on carbon finance, we reiterate the value in MDBs becoming carbon banks to ensure transparent carbon price discovery and macroeconomic stability with the recognition of natural capital assets, where ITMOs and biodiversity credits can be credited to debt repayments and leveraging;

- We encourage that as we build carbon transaction experience, we consider establishing a compliance carbon sink system in order to protect 1.5℃ with integrity;

- Our CPPs recognise the need to mobilise investment and create incentives for structural

[2] Development-positive climate action establishes a particular context for our goals: (a) it recognises not only the urgency of climate action but also the primacy of realizing development outcomes for the long haul for V20 member countries; (b) the ability of climate vulnerable countries to realise their development goals and achieve climate prosperity is the true yardstick of ambition in terms of ambitious climate action; and (c) recognition that pursuing and realizing sustainable development objectives sooner and more aggressively is what spurs and accelerates durable, ambitious, transformative climate action.

transformation toward more socially inclusive, low-carbon, and climate-resilient growth paths. This will take a mix of policy incentives such as regulations and taxes, as well as mobilization of fiscal revenues and investment through national development banks and building domestic capital markets – only when the structure of economic growth changes will we break the cycle;

- We look forward to South-South economic and trade cooperation between Asia, the Pacific, Africa, the Middle East, the Caribbean, and Latin America in order to invest in green industrialization opportunities with high-quality, fully climate-adapted, correctly priced, and on-time delivery of climate-resilient development projects for more job creation and revenue generation; and

- We call on MDBs to support the development of well-regulated sustainable capital markets in order to attract long-term savings and institutional investors by earmarking funds targeted at local market development.

5. Shock-Absorbent Financial System for Social Protection, Financial Protection and Loss and Damage

- We urge the IMF to include climate resilient debt clauses into its financing programs and leverage its leadership role to encourage their wide adoption for a shock-absorbent financial system;

- We call on the international community to replenish the IMF's Catastrophe Containment and Relief Trust (CCRT), which stands today with only 124 million Special Drawing Rights (SDRs) despite being a critical toolkit of the IMF to help countries address loss and damage, and for the IMF to consider expanding eligibility for CCRT funding to include climate-vulnerable economies that are susceptible to rapid onset as well as slow onset climatic shocks;

- We urge the development of new partnerships among central banks – under the auspices of the V20 Central Bank Governors Working Group – of the most traded currencies to offer liquidity facilities, including climate contingent swap lines for climate-fueled risks and consequent losses and damages to supplement the IMF's resources;

- We urge the scaling up of resources to address loss and damage to match with current and future levels of global warming impacts and for the operationalisation of the Loss and Damage Fund under the UNFCCC, and we call on the World Bank to further support with: (a) addressing conditionality concerns (e.g., financial reporting guidelines); (b) simplifying and expediting the application and disbursement processes (e.g., through pre-approved funding mechanisms and budget support); (c) inclusive decision-making by working with regional and national institutions; and (d) keeping operational costs low to ensure countries receive the maximum funding support;

- With the increasing emphasis on loss and damage finance, we reiterate the urgent need for the Organisation for Economic Co-operation and Development (OECD) to immediately institute processes to account for global loss and damage finance flows to strengthen climate finance governance, accountability, and reporting. Specifically through a marker within the OECD Development Assistance Committee (DAC) for loss and damage finance, as stipulated in the A2M;

- We call for upscaling of the G7-V20 Global Shield against Climate Risks from USD500 million to USD1 billion by the end of 2024 in order to contribute to reducing the prevailing 98 percent financial and social protection gaps across climate-vulnerable economies. Especially through pre-arranged and trigger-based funds and anticipatory financing for predictability and enhanced risk sharing, especially through strengthening regional risk pools; and

- We call on the G7-V20 Global Shield against Climate Risks and MDBs to prioritise actions defined by the V20 Sustainable Insurance Facility (SIF) to the benefit of micro, small, and medium-sized enterprises (MSMEs) in our markets through the development of replicable template-based solutions of proven business models of MSME climate risk insurance, encouraging the local industry to trust them as viable businesses and supporting them through blended financing as needed to lower cost barriers for demand-side implementation of small unit premium programs.

6. Special Drawing Rights and the Resilience and Sustainability Trust (RST)

- We welcome the efforts of the G21 members to voluntarily rechannel part of their SDRs to create more fiscal space for climate-vulnerable countries while noting the uneven distributions of SDR allocations;

- We urge the rechannelling of SDRs to regional MDBs, in particular the African Development Bank (AfDB), Inter-American Development Bank (IADB), and the Asian Development Bank (ADB), enabling these MDBs to facilitate new borrowing of up to four (4) times the SDR value;

- We urge the IMF to consider the use of SDRs as hybrid capital for MDBs;

- We welcome the progress made by the IMF's Resilience and Sustainability Facility (RSF), supported by the Resilience and Sustainability Trust (RST) and look forward to the IMF Board's interim review of the RST;

- We underscore that an SDR rate cap remains vital to ensuring RSF concessional financing remains affordable and urge a recalibration of the cost of borrowing, with the SDR rate capped at the April 2022 level;

- We urge the IMF to remove the requirement for a concurrent IMF program to access the RSF. The RSF should be accessible to members determined to mitigate prospective balance of payment shocks by investing in climate action. Noting that IMF conditionalities emphasise fiscal consolidation as precondition which could jeopardise a country's ability to lay the groundwork for a meaningful structural transformation and for building climate resilience. IMF support is needed to facilitate a stepwise increase in mainly concessional resources in a fiscally prudent and financially sound manner; and

- We welcome steps taken by the IMF and the World Bank to enhance their collaboration on climate change, as articulated in the joint statement of the World Bank President and the IMF Managing Director. We highlight the importance of a catalytic role for the RSF which warrants intensified coordination between MDBs and other institutions in support of country platforms such as CPPs and other climate investment plans.

7. Climate Finance and 1.5℃ by 2030

- We welcome the implementation of the initial Capital Adequacy Framework (CAF) measures for MDBs and reiterate our expectation for the full implementation of the recommendations contained in the G20 CAF Roadmap, including MDBs collaborating with each other on areas such as hybrid capital, callable capital, and SDRs;

- We call on MDBs to undertake capital increases to ensure that they have the resources to support the scaled-up levels of lending called for by the G20 Independent Expert Group;

- We urge the tripling of annual Official Development Assistance (ODA)-related external flows to low- and middle-income countries from 2024 to 2030 through more effective utilisation of existing capital and capacities of international financial institutions;

- We urge the G7 and high-emitting G21 countries to safeguard 1.5℃ by 2030 through 2030 NDC Alignment submissions by the end of 2024, at the latest;

- We recommend that the New Collective Quantified Goal (NCQG) on climate finance focus on the composition of finance, including concessionality where public resources are utilised to ensure that the weighted average of the cost of capital is lower than the medium-term growth rate; and

- Recalling the opportunity for international carbon levies and taxes on sectors like shipping, aviation, oil, and gas in order to raise billions in climate finance, we reiterate our call for a just and equitable transition to transform these industries and adequately resource adaptation, resilience, and loss and damage efforts. We welcome the progress made towards the creation of a maritime GHG emissions pricing mechanism at the 81st meeting of the Marine Environment Protection Committee of the International Maritime

Organization, and call on all IMO members to be guided by the above V20 principles in urgently concluding these negotiations.

8. Adaptation Finance

- We call on MDBs and the Green Climate Fund to enhance access to adaptation finance for climate vulnerable countries, and to apply the Principles for Locally Led Adaptation in the provision of finance for adaptation and resilience of vulnerable countries;
- We urge MDBs to mainstream climate adaptation and resilience into all development finance deals in order to ensure long term impact and avoid maladaptation; and
- Recognising that adaptation finance flows are significantly below the scale needed, and mostly come from the public sector, we urge MDBs and the international community to support the development of incentive mechanisms and to deploy concessional finance to de-risk adaptation investments by the private sector, including those that promote local micro, small and medium-sized enterprises in vulnerable countries.

9. CVF and V20 Finance Ministers Secretariat

- Recalling our aim for an independent Secretariat for the CVF and the V20 Finance Ministers, as agreed at the 10th and 11th Ministerial Dialogue, we call on the international community to visit, engage with, and support our new intergovernmental organisation headquartered in Accra, Ghana.

10. Incoming Presidency

- We welcome and look forward to the first Caribbean Presidency of the CVF and the V20 Finance Ministers – Barbados – under the leadership of H.E, Mia Mottley, Prime Minister of Barbados.

Reference Documents

1. Climate Prosperity Plans (link)
2. CVF Leaders Declaration (link)
3. Accra-to-Marrakech Agenda (link)
4. V20 Ministerial Dialogue X Communique (link)
5. V20 Ministerial Dialogue IX Communique (link)
6. V20 Ministerial Dialogue XI Communique (link)
7. Emergency Coalition on Debt Sustainability and Climate Prosperity (link)

8. Climate Vulnerability Monitor, Third Edition (CVM3) (link)
9. 2nd edition of the V20 Debt Review (pending)
10. Climate Vulnerable Economies Loss Report (link)
11. V20 Vision 2025 (link)
12. Achieving Catalytic Impact with the Resilience and Sustainability Trust (link)
13. Joint Statement of the World Bank President and the IMF Managing Director (link)
14. Principles for Locally Led Adaptation (link)

Formed in 2015, the V20 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 Finance Ministers membership stands at 68 economies representing some 1.74 billion people including Afghanistan, Bangladesh, Barbados, Benin, Bhutan, Burkina Faso, Cambodia, Chad, Colombia, Comoros, Costa Rica, Côte d'Ivoire, the Democratic Republic of the Congo, Dominica, Dominican Republic, Eswatini, Ethiopia, Fiji, The Gambia, Ghana, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Jordan*, Kenya, Kiribati, Kyrgyzstan, Lebanon, Liberia, Madagascar, Malawi, Maldives, Marshall Islands, Mongolia, Morocco, Mozambique, Namibia, Nepal, Nicaragua, Niger, Pakistan, Palau, Palestine**, Papua New Guinea, Paraguay, Philippines, Rwanda, Saint Lucia, Samoa, Senegal, Sierra Leone, South Sudan, Sri Lanka, Sudan, Tanzania, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Tuvalu, Uganda, Vanuatu, Viet Nam, and Yemen.

**Pending further discussions*
***As a UN non-member observer state*