V20 Ministerial Dialogue XI Communique

Securing Shared Prosperity and Sustainable Development
in a Climate Insecure World
Adopted on 15 October 2023
Bab Ighli, Marrakech, Kingdom of Morocco

We, the Ministers and Senior Representatives of the V20 Finance Ministers from Africa, Asia, the Caribbean, Latin America, the Middle East, and the Pacific, met in Marrakech in the Kingdom of Morocco on 15 October 2023 during the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group to discuss, agree, and deploy global strategies meant to avert the worsening impacts of the climate crisis and to secure shared prosperity and sustainable development.

There is profound concern over exponentially increasing government liabilities resulting from accelerating climate impacts, escalating extreme weather events, and managing the volatility of fossil fuel and food prices.

Recognizing that fragile and conflict-affected states bear a disproportionate brunt of climate change, the meeting accentuated the urgent need to address their unique challenges.

The growing losses, damages, and alarming lack of financial and social protection due to climate risks have emerged as paramount macroeconomic concerns, affecting critical infrastructure, supply chains, and the sustainability of micro, small, and medium-sized enterprises.

Over eight (8) years, V20 Finance Ministers have expanded from its original 20 members to 68 economies, representing a population of 1.74 billion, contributing to a Gross Domestic Product (GDP) of US$3.8 trillion, and accounting for six (6) percent of global emissions.

Aligning the financial system to serve the most vulnerable is not only pivotal for those least responsible and most exposed to the climate crisis but also imperative for global shared prosperity and stability.

Recalling the past nine (9) communiques, including the Accra-Marrakech Agenda (A2M), the Bridgetown Initiative, and the calls to action, especially from the Summit for the New Global Financing Pact, the Africa Climate Summit, and the Climate Ambition Summit, the V20 Finance Ministers reiterated their commitment to pursue and help lead ongoing dialogues and initiatives such as the Emergency Coalition for Debt Sustainability and Climate Prosperity.

The rate at which climate impacts are superseding resilience building efforts, from the failure to halt carbon emissions and safeguard the 1.5-Centigrade safety threshold of the Paris Agreement as well as delays in essential international financial system reforms, necessitates a critical course-correction and a catch-up in this decade.

We therefore urge Multilateral Financial Institutions and Development Partners to collaborate and respond collectively, decisively, and urgently to the following key priorities that can help establish a world economy that is fit-for-climate and that prioritizes its most vulnerable groups:

1. Official recognition of the V20 Finance Ministers in the Bretton Woods Institutions

- We reiterate our call to the World Bank Group and the IMF to recognize the V20 Finance Ministers as an official Group. The V20 Finance Ministers have unique experiences and expertise to contribute to the agendas of the International Monetary and Financial Committee and the joint World Bank Development Committee.

2. International Financial System reforms

- We congratulate Italy, the incoming G7 Presidency, encouraging their active participation in mobilizing resources for adaptation. Similarly, we look to Brazil, as they take on the G21 Presidency, to lead the way in implementing substantial and timely reforms that will enable us to achieve the Paris Agreement's 1.5-Centigrade target within this decade. We are eager to engage closely in pursuit of commonly held goals.

- We welcome the G20 turning to G21 with the membership of the African Union.

- V20 countries, with 21.7% of the global population and 44.7% of IMF programs, have only 5.3% of IMF votes. This unbalanced system harms V20 countries in the allocation of Special Drawing Rights (SDRs). We stress the importance that any quota increase and quota share realignment should result in strengthening the voice and representation of V20 members, including the creation of a Third Chair for Sub-Saharan Africa.

- We urge immediate alignment of the global financial system with climate science and climate policy through the A2M Agenda, which represents longer term reform and transformation, with immediate application, while advancing other critical reform solutions, including those identified in the New Global Financing Pact, Nairobi Declaration and Bridgetown Initiative. It is time to make debt work for the most climate vulnerable economies, to overcome costly capital hurdles to investment, and to facilitate global carbon exchanges. Likewise, it is urgent to fully integrate climate risks into macroeconomic planning processes and tools, for Development Finance Institutions (DFIs) to prioritize climate action and to establish prearranged and trigger-based funds which climate vulnerable nations have long advocated.

3. Urgently Scaling Up and Speeding Up Access to Climate Funds and Finance

- We urge the mobilization of a substantial share of global GDP by tripling Multilateral Development Bank (MDB) resources and facilitating private sector participation to deliver US$1 trillion annually[1] that supports the 1.5°C goal of the Paris Agreement,

[1] https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf

the 30x30 Target of the Global Biodiversity Framework, and Sustainable Development Goals (SDGs).

- We note that the implementation of the initial Capital Adequacy Framework (CAF) measures for MDBs could yield additional lending capacity of around US$200 billion[2] over the next decade. However, we reiterate our expectation for the full implementation of the recommendations contained in the G21 CAF Roadmap, including MDBs collaborating with each other on areas such as hybrid capital, callable capital, and Special Drawing Rights (SDRs). We also emphasize the importance of concessional, long-term finance to ensure scaled up investments in achieving development-positive climate action[3].

- We call on MDBs to formulate plans for a general capital increase to boost grant-based resources, technical assistance, low-cost financing with additional concessionality climate and development needs of their climate-vulnerable members, while concurrently pursuing balance sheet optimization measures by Spring 2024, as called for in the G21 Independent Expert Panel report on CAFs. MDBs should explore the full range of capitalization options, including using bonds in perpetuity as equity contributions.

- We reiterate our call to triple concessional International Development Association (IDA) financing for IDA-eligible countries through donor contributions, IDA bonds, balance sheet optimization, and to expand access for climate-vulnerable economies with new resources. We expect an ambitious IDA21 replenishment.

- Our commitment to addressing the climate crisis goes hand in hand with our vision for a more sustainable and equitable global economy. We advocate for and support climate finance based on historical responsibility to include international carbon levies and taxes on sectors like shipping, aviation, oil, and gas. We emphasize a just transition to transform industries and support low-carbon initiatives, adaptation, resilience, and loss and damage efforts. We believe we will not only gain from such transformation, but also be a driving force for the rapid development of these industries through supply of labor, ports, and innovation, among others. Equally important is shifting financial resources away from fossil fuel activities and industries that undermine the fight against climate change and leaping into renewables in a just and inclusive manner.

- In the pursuit of a sustainable future, we urge the establishment of a New Collective Quantified Goal on climate finance to encompass funding for loss and damage and equity-based instruments, while aligning with the transformative needs of economies,

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[2] https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_Roadmap_for_MDBCAF.pdf

[3] Development-positive climate action establishes a particular context of our goals: (a) it recognizes not only the urgency of climate action but also the primacy of realizing development outcomes in the long haul for V20 member countries; (b) the ability of climate vulnerable countries to realize their development goals and achieve 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.

particularly those most vulnerable to climate change. It must address rising unsustainable debt burdens of nations, offer support to fragile states, enhance adaptive capacity, promote climate resilience, and facilitate necessary energy transitions that are just and inclusive.

- Having advocated for the US$500 billion Delivery Plan and an Implementation Plan on how climate adaptation finance can reach at least an equal footing with mitigation finance by 2025, we urge MDBs to ensure that all infrastructure and health programs are climate resilient, with a clear distinction between the adaptation/resilience component for infrastructure and health for climate finance accounting purposes.

- We emphasize the need for the IMF to align its lending toolkit with the Paris Agreement. This includes increasing available financing and reforming tools to help nations mitigate balance of payment impacts caused by short-term climate shocks and to secure medium-term and longer-term climate resilient development pathways.

- We urge the G7 and G21 to swiftly boost low-cost finance for SDGs and climate action, by further enhancing financial sustainability of the IMF's Poverty Reduction and Growth Trust (PRGT) and Catastrophe Containment and Relief Trust (CCRT). We acknowledge the tireless effort of the IMF, which successfully resulted in the voluntarily re-channeled US$100 billion of unused SDRs to developing countries.

- We reiterate our call for enhanced access to the IMF's Resilience and Sustainability Trust (RST) by removing the requirement for eligible countries to have a concurrent IMF program in place alongside Resilience and Sustainability Facility (RSF) financing.

- We call for the normalization of rechannelling SDRs to MDBs and using Administered Accounts to support climate-positive initiatives guided by development-positive climate action based on country-led plans and strategies such as Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), Just Energy Transition Partnerships (JETPs), Climate Prosperity Plans (CPPs), and long-term strategies.

- We commission a subgroup of the V20 Finance Ministers composed of V20 Central Bank Governors to initiate work aimed at further improving our understanding of macroeconomic impacts of climate change. This subgroup will also sustain technical collaboration and engage on liquidity options, including mobilizing resources for climate action.

- We further call on the promotion of long term fiscal discipline through the Sustainable Budgeting Approach to mainstream climate change in fiscal policy that supports both development and climate finance needs. The aim is to increase market confidence, transparency, and fiscal stability, leading to improved credit ratings and lower costs of finance.

4. Cost of Capital

- We call on the 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 subsidy accounts for currency hedges.

- We call on the G21 to encourage its member countries to create long-term central bank swap arrangements with specific currency covers for investments in green projects in climate-threatened countries.

5. Debt Relief and Debt Sustainability

- Recalling that we need fiscal space and macro-sustainable debt options, we call for the global financial system to move away from conventional austerity-based measures towards resource mobilization-driven approaches. This can allow developing countries to pursue a long-term structural shift including debt relief and new forms of liquidity and development finance in alignment with proposals advanced by the Emergency Coalition on Debt Sustainability and Climate Prosperity.

- We encourage the IMF to further refine its analytical tools such as debt sustainability analyses, to better capture climate risks including cross-border transition risks, loss and damage, and their macro-critical impacts, and benefits of investments resilience, as well as resource mobilization needs for national climate strategies while supporting capacity acceleration efforts to strengthen climate policy analysis and the development of domestic markets for sustainable finance.

- We highlight the importance of participation of MDBs in debt restructuring under a comparability of treatment rule that accounts for the cost of lending and concessionary elements.

- We call for a guarantee facility to help move 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 in these debt restructuring workouts by using the Resilience and Sustainability Trust to provide collateral which guarantees restructured debt.

- We encourage the IMF to incorporate climate resilient debt clauses into its lending programs to enable climate vulnerable countries suffering from climate-induced events to focus on rehabilitation, recovery, and rebuilding.

- We reiterate our call to strengthen the regulatory and supervisory framework of Credit Rating Agencies to ensure that they incorporate the risks of climate change and the benefits of resilience in their assessments, ensure universal application of these assessments, and increase their accountability towards economies significantly impacted by the quality of their assessments.

- We welcome the Global Expert Review on Debt, Nature, and Climate to conduct a comprehensive assessment including immediate liquidity options.

- We welcome the World Bank's "Country Climate and Development Reports" and "Comprehensive Toolkit to Support Countries after Natural Disasters" and call on the Bretton Woods Institutions and other MDBs to consider debt pauses for new and existing loans, encourage fresh injection of equity to deploy precautionary balances towards relief, and for additional IDA replenishments to consider dedicated funds towards supporting debt relief efforts, and for additional IDA replenishments to consider dedicated funds towards supporting debt relief efforts.

- We welcome partnership to improve the standardization and monitoring and evaluation of debt-for-climate swaps to better protect ecosystems and contribute to the realization of the 30x30 Target of the Global Biodiversity Framework.

6. Climate Prosperity Plans for Economic Cooperation

- Through our Climate Prosperity Plans (CPPs), we seek to build forward stronger by charting a decade of investment in productive capacity, improved logistics and supply chains, including food, health, and energy security with long-term climate resilient and low-carbon transformation strategies propelled by robust development-positive climate action.

- To support CPPs, we call on project preparation and deal team partnerships in the MDBs and private sector to facilitate work on catalytic deals that unlock new long-term sources of capital which are crucial to moving market economics towards viability, including support for policies that can limit risks, enable price discovery, and support future system design.

- To support fragile and conflict-affected states pursuing CPPs, we call on partners and donors to actively mobilize resources for shock-responsive social protection and greater solidarity with and support for migrant and displaced communities .

- To support macroeconomic stability in vulnerable economies, we call on technical experts especially in the World Bank and the IMF to work with the V20 towards further developing our Climate Prosperity Macroeconomic model.

- We look forward to the further development of South-South economic partnerships including the establishment of a V20 Working Group on the Green Belt and Road Initiative and capital market access for clean energy boards in order to enhance our ability to access a broader capital pool and enhance liquidity, create transparent regulatory incentives for transition and high quality green projects, as well as develop and validate new market models.

- We look forward to our partnership with the International Renewable Energy Agency (IRENA) in our CVF-V20 Joint 100RE Resilient Futures Program as part of the UN SDG7 Energy Compact[4] including: (i) social protection and livelihood opportunities, (ii) phase down and phase out fossil fuel with low cost and long-term financing for renewable energy; (iii) legacy liabilities strategies to position countries' energy

[4] https://www.un.org/sites/un2.un.org/files/climate_vulnerable_forum.pdf

security with technologies of the future; (iv) grid modernization to give assurance to renewable energy investors and operators; and (v) participation in transition/critical minerals and green hydrogen industries.

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

- We reiterate our determination to realize CPPs by enabling economic cooperation with G7 and G21 underpinned by shared prosperity and promoting debt sustainability through investment and upscaled bilateral/multilateral resources, private sector participation, trade, technology transfer, tourism, manufacturing capacity, skills sharing and training.

- Following a competitive selection process, we welcome the first cohort[5] of Fellows of the V20 Climate Prosperity Fellowship Programme, established through collaboration with Boston University Global Development Policy Center and the Centre for Sustainable Finance at SOAS University of London. This is a vital initiative aimed at empowering professionals from V20 member states to address climate challenges, drive sustainable development, and contribute to the development and implementation of Climate Prosperity Plans.

7. Carbon Exchanges

- We further look forward to the development of a Carbon Exchange to realize near-term investments for our CPPs that deliver fair-share action with returns on investment and Internationally Transferred Mitigation Outcomes (ITMOs) credited to relevant investments. There is an opportunity for the private sector 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 NDC targets.

- Within our Carbon Exchanges, we call on the MDBs to become carbon banks to ensure transparent carbon price discovery and macroeconomic stability by recognizing natural capital assets, where ITMOs can be credited to debt repayments and leveraging.

8. Risk Management to Close the Social and Financial Protection Cliffs through the G7-V20 Global Shield against Climate Risks

[5] Bangladesh, Bhutan, Eswatini, Fiji, The Gambia, Ghana, Haiti, Honduras, Kenya, Maldives, Philippines, Rwanda, and Tonga

- We recognize that the global financial architecture we have today is nowhere near resourced to cover the entire spectrum of loss and damage. Therefore, we call for a structured and adapted response to future crises based on pre-arranged and trigger-based funds, combining early action triggers with rapid response, and financing to build regional and global protection systems at different levels[6] for economies, enterprises, ecosystems and communities,

- We urge the development of new partnerships among central banks of the G7 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 encourage the IMF to expand the scope and scale of its Trusts (the PRGT, RST and CCRT) to include financial and social protection needs; and for the expanded eligibility to ensure climate vulnerable economies are able to access concessional resources to build climate resilience.

- We recognize the Global Shield as a key contribution to improved risk management and call for further G7 and G21 contributions.

9. Loss and Damage

- We urge all Parties not to leave COP28 in Dubai without a decision on funding and the operationalisation of the United Nations Framework Convention on Climate Change (UNFCCC) Loss and Damage Fund. We underscore that the Fund must be funded, set up, and operated in ways that are seen as fair and inclusive and that its finance should quickly reach affected communities and provide budget support for countries most affected by loss and damage, in accordance with their own needs, priorities and national systems. Consideration may be given to setting up an IDA-like window for loss and damage with expanded access, reflecting climate vulnerability.

- We reiterate the need for COP28 to deliver the mandate for the rapid evolution of MDBs, the Global Environment Facility (GEF) and the IMF to fully integrate and expand loss and damage instruments as new additions to country envelopes. Additionally, we emphasize the need for the global financial architecture to include loss and damage instruments as part of the composition of that support.

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[6] Financial assistance (including national budget support, direct grants, premium and capitalization support), private sector engagement including through public-private-people partnerships, and technical assistance such as early warning systems, social protection systems as disbursement mechanism, development and strengthening of distribution channels, risk analytics, strengthening regulatory frameworks, integrating climate and disaster risk financing into disaster risk management strategies.

Money-In: (Sub) sovereign risk transfer, contingent credit & grant mechanisms, contingent budget/national disaster funds, forecast-based with debt payment suspension or relief, GDP stop loss, and liquidity capital solutions including climate contingent swap lines with central banks.

Money-Out: Shock-responsive social protection, credit guarantees, early and anticipatory actions, contingent plans (including restoring critical infrastructure), cash transfers, forecast-based financing, insurance for micro, small and medium-sized enterprises that provide jobs, goods and services, and risk sharing networks such as household financial tools, including micro-insurance and other instruments.

- We look forward to continuing work with key partners for the delivery of the V20 Loss and Damage (L&D) Funding Program including the GEF, United Nations Industrial Development Organization (UNIDO), UN Capital Development Fund (UNCDF), and Care International. We call for further capitalisation of the V20 L&D Funding Program and look forward to growing our partnerships. We will continue to share our expertise gained from the design and early implementation of the V20 L&D Funding Program with the international community towards supporting the effective design of other new L&D funds, including those under the UNFCCC.

- Further to philanthropic funding and non-state government commitments to the V20 L&D Funding Program, resource mobilization for loss and damage can include contributions from (i) wealthy and high-emitting government parties to the UNFCCC; (ii) penalties from non-compliance in climate litigation; (iii) contributions from non-state government institutions (i.e., states/regions, cities/municipalities); (iv) observer parties to the UNFCCC; (v) individual and micro-contributions including crowdfunding led by students/youth, non-profit organizations, associations, etc.; (vi) further philanthropic contributions; (vii) corporate contributions; (viii) innovative financing instruments including a Financial Transactions Tax (FTT) on financial trades and taxing windfall profits in the energy sector; (ix) carbon pricing and emissions trading revenues; and (x) airfare and transport ticket levies (voluntary or mandatory).

10. Independent 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 Ministerial Dialogue in Washington D.C., we are pleased to announce we are on track to launch our independent CVF and V20 Finance Ministers Secretariat with a Secretary-General by COP28. The independent Secretariat is hosted in Accra, Ghana, with a regional office in Colombo, Sri Lanka.

11. New Members and Incoming Presidency

- We welcome 10 new Ministers of Finance as members of the V20 following their governments' indication of interest during the year and at various engagement of the CVF and the V20 Finance Ministers: Dominica, Jordan[7], Mozambique, Namibia, Pakistan, Paraguay, Sierra Leone, Togo, Tonga, and Trinidad and Tobago.

- We applaud and welcome the expression of interest by Barbados to be the next President of the CVF and the V20 Finance Ministers and look forward to its announcement at COP28.

REFERENCE DOCUMENTS

- CVF Leaders Declaration (link)
- Accra-Marrakech Agenda (link)
- Bridgetown Initiative (link)

[7] Pending further discussions.

- V20 Ministerial Dialogue X Communique (link)
- V20 Ministerial Dialogue IX Communique (link)
- Emergency Coalition on Debt Sustainability and Climate Prosperity (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)
- The International Monetary Fund, Climate Change and Development: A Preliminary Assessment (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.

**As a UN non-member observer state