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CONCEPT NOTE

FIRST MEETING OF THE TECHNICAL COMMITTEE ON CLIMATE SHOCKS AND BALANCE OF PAYMENTS AND FOURTH MEETING OF THE V20 CENTRAL BANK GOVERNORS WORKING GROUP

15 OCTOBER 2025 (WEDNESDAY) | 9:00 AM – 10:30 AM (ET)

HQ1 R584 (Level R), IMF Headquarters
Washington, D.C., United States of America



ESTABLISHMENT OF A TECHNICAL COMMITTEE ON CLIMATE SHOCKS AND BALANCE OF PAYMENTS

1. Background Information on the Global Financial Safety Net

The Global Financial Safety Net (GFSN) serves a triple objective in the international monetary system: 1) to provide precautionary insurance for countries against the emergence of economic and financial crises; 2) to provide balance of payment and countercyclical financing when shocks hit, supporting an appropriate mix between financing and adjustment; and 3) to incentivize sound macroeconomic and structural policies that can help prevent a build-up of external imbalances.

Traditionally, GFSN consisted mainly of countries' international reserves held at national central banks and the International Monetary Fund (IMF), which plays the role of global lender of last resort. Over time, the GFSN has expanded to include bilateral swap arrangements (BSAs) between central banks and Regional Financial Arrangements (RFAs) in which a group of central banks in a region pledges financial support to members whose countries are experiencing, or might experience, balance of payments difficulties.

Despite the growth and diversification of the GFSN, V20 member countries still face uneven access to the GFSN. Although some V20 members have access to more options in the GFSN, low- and middle-income members, in particular, often rely solely on the IMF. However, the Fund's unconditional credit lines are limited in volume and may be disbursed with delay.

Up to now, the GFSN has incorporated limited tools to respond to climate shocks. Balance of payments difficulties arising from frequent and intense natural hazard events linked to climate change, such as tropical cyclones, floods, or droughts, can swiftly erode reserves and amplify currency pressures in V20 member countries, undermining their macroeconomic stability and delaying recovery.

2. Liquidity options for V20 countries after climate shocks and gaps in the GFSN

After climate disasters, V20 countries can access some credit lines to mitigate balance of payments impacts. However, delays in disbursement, unequal access, and low volumes create the need for new complementary tools especially those that are innovative and valuable for V20 countries.

For instance, under the IMF's Rapid Financing Instrument (RFI) and Rapid Credit Facility (RCF), the IMF provides low-access financial assistance to countries facing urgent balance of payments needs, including through the Large Natural Disaster (LND) window for events causing damage equivalent to or exceeding 20% of GDP. However, applying for and receiving funds from the IMF can take time and be burdensome. Some V20 member countries are part of RFAs, but given the institutional design, they have not been tapped, as is the case of the Chiang Mai Initiative Multilateralization (CMIM). Moreover, RFAs are yet to be reformed to respond to member's needs after climate disasters. The only exception has been the CMIM Agreement, which is currently being amended to introduce the Rapid Financing Facility (RFF) to respond to external shocks, including climate.

Another significant gap in the GFSN is the insufficient financing available to help countries address their long-term balance of payments vulnerabilities that emerge from climate change. Today, the IMF's Resilience and Sustainability Facility (RSF) is the only specific source that provides longer-term financing to support prospective balance of payment crises arising from climate risks and public health emergencies. However, countries must have a concomitant IMF program to access RSF resources, and the volume of funding is limited to just 150% of a country's IMF quota or SDR 1 billion, whichever is smaller.

Given the short- and medium-term flaws in the GFSN, as well as the increasingly high exposure of V20 member countries to climate shocks, designing tools to complement the GFSN for V20 members is of critical importance. Central banks are increasingly concerned about the impact of climate shocks on financial instability and recognize that innovative tools and institutions are fundamental to improving short- and medium-term stability. A distinctive and innovative feature of the new family of instruments of the GFSN is that they must be triggered by climate shocks and need to be designed to address short-term stability challenges and medium-term investment needs.

3. Background Information on the V20's Central Bank Governors Working Group

Against this backdrop, the V20 Central Bank Governors Working Group was established in 2023, with a critical purpose of mobilizing the financial capacity of member states to foster sustainable economic growth amid climate-related risks. Its primary focus is on:

- a. maintaining financial stability in the face of climate shocks, including through the development of *Lifeline*, which will be a multi-regional financial arrangement for liquidity support;
- b. protecting climate-vulnerable groups through inclusive green finance; and
- c. facilitating a 'greening of the financial system' to build a financial ecosystem that is more resilient to climate risks.

4. Background Information on *Lifeline*—An Innovative Climate Vulnerable Country-led Tool

Barbados assumed the presidency of the V20 in September 2024. The Central Bank of Barbados has since been leading the focus areas of the V20 Central Bank Working Group, including the development of *Lifeline*, which aims to provide balance of payments finance to cushion V20 members from the impacts of climate shocks such as tropical cyclones, floods, and droughts, while also mobilizing medium-term investment finance that can support prospective balance of payment crises (similar to the IMF RST finance). The following developments have taken place:

- Completed Concept Note "*Lifeline: Towards Creating a Regional Financial Arrangement (RFA)*" for the V20 Group on 15 October 2024.
- Presentation on *Lifeline* Concept made to V20 Central Bank Governors at the 2024 IMF/ World Bank Annual Meeting. Governors and attendees discussed the need for more analytics to shape the *Lifeline* concept.
- Presentation on draft *Lifeline* design considerations made to V20 Central Banks at the 2025 IMF/World Bank Spring Meeting. Governors and attendees discussed a future

Study Visit in Manila.

- A presentation on the *Lifeline* Initiative was made to CARICOM Central Bank Governors on 18 August 2025.
- A Study Visit on the *Lifeline* Initiative was conducted in Manila, Philippines, on 26 August 2025.

Specifically, the Study Visit in Manila, Philippines, aimed to reflect on the following:

- What is the scope of *Lifeline* and the trigger mechanisms?
- What lending instruments and credit lines should be available in the short term to address balance of payments pressures? And, what about the medium term to support resilience and investment?
- What should the *Lifeline* capital structure look like?
- And finally, what kind of governance body structure will ensure inclusivity, accountability, and responsiveness?

These are not questions with one-size-fits-all answers. Rather, they should be viewed as the parameters the V20 central banks must define together, drawing from the diverse experiences of our member states and institutions. For this reason, this Study Visit served as an essential step in shaping the parameters of the *Lifeline*. The task is to ensure its provisions respond to the diverse needs of member states. This marks the beginning of a journey we take together, one that will continue through the nine months ahead until April 2026.

During the Study Visit, participants suggested that the *Lifeline* should have a dual scope. First, it should provide timely balance of payments finance to cushion the impacts of climate shocks such as tropical cyclones, floods, and droughts; and Second, it should help member countries mobilize investments to address potential climate-related balance of payments crises (similar to the IMF's RST). During the discussion, many participants highlighted the innovative nature of *Lifeline* and its potential to complement and improve the GFSN for climate-vulnerable countries

Moreover, participants emphasized that *Lifeline* should adopt four (4) guiding principles, including:

1. **Solidarity.** Grounded in shared purpose and collective advancement, ensuring that climate-vulnerable economies support one another through cooperation, mutual reinforcement, and joint problem-solving.
2. **Sustainability.** Ensuring that the *Lifeline*, as a multi-regional financial arrangement, can sustain itself over time, maintaining financial soundness and long-term viability.
3. **Opportunity.** Structuring the *Lifeline* so that participants receive more than what they contribute, creating a positive-sum system that transforms climate risks into pathways for growth and prosperity.
4. **Flexibility.** Adapting financing modalities and tools to the diverse contexts and climate shocks faced by members, enabling swift and tailored responses to evolving risks.

Finally, Study Visit participants suggested creating a Work Plan for *Lifeline* to unpack the critical details that will determine the usefulness and potential operationalization of the mechanism.

5. Work Plan by the Technical Committee on Climate Shocks and Balance of Payments

The next steps are as follows:

1. Creating a dedicated Technical Committee to guide the development of the Lifeline Work Plan. The Committee will be composed of 10 members (to be confirmed officially) with representatives from the central banks of Barbados, the Philippines, Morocco, Colombia, Guatemala, Vietnam, The Gambia, Dominican Republic, Trinidad and Tobago, Kenya, Pakistan, Samoa, Namibia, the Kyrgyz Republic, Uganda, and Fiji. The representative from the Central Bank of Barbados will chair the Technical Committee.

The Committee will be supported by technical experts, including those from the V20 Secretariat, Task Force on Climate, Development and the IMF, and the ASEAN+3 Macroeconomic Research Office (AMRO).

All sessions will be open for V20 Central Banks to observe and participate, broadening perspectives and ensuring legitimacy. This mix of member states, technical institutions, and regional actors will help capture diverse experiences of climate vulnerability, macroeconomic challenges, and financial system capacities.

2. The Technical Committee will be tasked to first develop a methodology and analytics to systematically map climate shocks and their impact on balance of payments needs, thereby informing the design of responsive financial instruments.
3. Based on the methodology and analysis, the Technical Committee will then provide guidance for *Lifeline* in three main areas:
 - a. Assessment of *Lifeline's* potential demand and adequate funding size;
 - b. *Lifeline* operational characteristics; and
 - c. *Lifeline's* governance structure.

For 3.b., that is, to define Lifeline's operational characteristics, the Technical Committee will:

- i. Assess the size and most effective options for delivering fast liquidity during climate shocks, and examine how these instruments can be designed to complement and strengthen the Global Financial Safety Net.
- ii. Assess how country-determined policy conditionality can be designed to remain country-owned, climate-smart, and growth-enhancing, and whether financing should be tied to resilience reform compacts with clear milestones and targets.
- iii. Explore RST-like medium-term investment finance, examining its potential uses and applications. Furthermore, investigate how central banks can support and channel such investment finance without undermining their core mandates for monetary and financial stability.

- iv. Assess capitalization options to ensure the facility's financial sustainability, including potential approaches such as member contributions, SDR allocations, guarantees, and market-based instruments.

For 3.c., as form should follow function, to define Lifeline's governance structure, the Technical Committee will examine governance options that strike the best balance between inclusivity, speed, and credibility. They will also assess how decision-making can be made more inclusive and better distributed compared to the Bretton Woods institutions, while ensuring safeguards for transparency, accountability, and independence.

6. Work Plan and Timelines

KEY AREA	ACTIVITY	TIMELINE	LEAD/ SUPPORT
1. Establishment of Technical Committee	• Confirm membership (10 Central Banks) and onboard technical experts (V20, Task Force, AMRO)	October 2025	Central Bank of Barbados, V20 Secretariat
	• Inaugural Meeting of the Technical Committee	15 October 2025	
	• Bi-weekly meetings of the Technical Committee	Starting 27 October 2025	
2. Methodology and Analytics	• Develop a methodology to map climate shocks and BoP impacts.	October 2025-December 2025	Technical Committee
3.a. Demand and Funding Size	• Estimate potential demand • Recommend funding envelope	November 2025-February 2026	Technical Committee
3.b. Operational Characteristics	• Assess delivery options, Conditionality, and Capitalization.	December 2025 - March 2026	Technical Committee supported by Task Force and AMRO
3.c. Governance Structure	• Review models or inclusivity, speed, and credibility. Safeguards will also be explored.	February 2026 - April 2026	Technical Committee
4. Reporting	• Bi-weekly online meetings (starting the week of 27 October 2025) • Progress update presented to Governors (timeframe and format to be determined by Committee)	October 2025 - April 2026	Technical Committee Chair supported by V20 Secretariat
5. Final Submission and Analysis	• Consolidate Methodology, analysis, and recommendations • Submit to the Governors	April 2026 (IMF-WB Spring Meetings)	Technical Committee

PROVISIONAL AGENDA

First Meeting of the Technical Committee on Climate Shocks and Balance of Payment

TIME	AGENDA
9:00 AM	Opening Remarks and Confirmation of Mandate Hon. Dr. Kevin Greenidge <i>Governor, Central Bank of Barbados</i> <i>Chair, V20 Central Bank Governors Working Group</i>
9:07 AM	Discussion of Initial Research Agenda and Work Modalities Dr. Marina Zucker-Marques <i>Senior Academic Researcher, Global Economic Governance Initiative</i> <i>Boston University Global Development Policy Center</i> Dr. Daniel Titelman <i>Non-Resident Senior Fellow, Global Economic Governance Initiative</i> <i>Boston University Global Development Policy Center</i> Mr. Jwala Rambarran <i>Advisor to the Managing Director, CVF-V20 Secretariat</i> <i>Former Governor, Central Bank of Trinidad and Tobago</i>
9:22 AM	Agreement on Next Steps and Close of Session Hon. Dr. Kevin Greenidge <i>Governor, Central Bank of Barbados</i> <i>Chair, V20 Central Bank Governors Working Group</i>

Fourth Meeting of the Central Bank Governors Working Group

9:30 AM	Opening Remarks Hon. Dr. Kevin Greenidge <i>Governor, Central Bank of Barbados</i> <i>Chair, V20 Central Bank Governors Working Group</i> Welcome Remarks H.E. The Most Honorable Elizabeth Thompson <i>Ambassador Extraordinary & Plenipotentiary Climate Change, Small Island States (SIDS) & Law of the Sea, Barbados and Sherpa to Prime Minister Mia Amor Mottley, S.C. M.P., Chair of the CVF-V20</i>
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9:40 AM The *Lifeline* Initiative: Progress and The Path Forward

Mr. Jwala Rambarran

*Advisor to the Managing Director, CVF-V20 Secretariat
Former Governor, Central Bank of Trinidad and Tobago*

9:50 AM Establishment of the *Technical Committee on Climate Shocks and Balance of Payments* and Proposed Next Steps

Dr. Marina Zucker-Marques

*Senior Academic Researcher, Global Economic Governance Initiative
Boston University Global Development Policy Center*

10:05 AM Open Discussion

This will provide an opportunity for V20 Central Bank Governors to offer feedback on the presentations and updates, as well as to share complementary initiatives and developments underway within their respective countries.

10:25 AM Closing and Next Steps

Hon. Dr. Kevin Greenidge

*Governor, Central Bank of Barbados
Chair, V20 Central Bank Governors Working Group*

10:30 AM END

CONTACT

For any other queries or concerns about this event, please contact:

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