



# THE **Vulnerable Twenty** (V20)

GROUP OF MINISTERS OF FINANCE

A Perspective from Caribbean Civil Society

AUGUST 2024

Published by the Caribbean (NGO) Policy Development Centre

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"This work was made possible through the support of the Climate Emergency Collaboration Group, a sponsored project of Rockefeller Philanthropy Advisors."



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# Acronyms

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AOSIS	Alliance of Small Island States
A2M	Accra/Marrakech Agenda
CARICOM	Caribbean Community
CPDC	Caribbean Policy Development Centre
COP	United Nations Framework Convention on Climate Change Conference of Parties (Climate Change Conference)
CPP	Climate Prosperity Plan
DAC	Development Assistance Committee
DFI	Development Finance Institution
GDP	Gross Domestic Product
IMF	International Monetary Fund
MDB	Multilateral Development Bank
OECD	Organisation for Economic Co-operation and Development
RSF	Resilience and Sustainability Fund
RST	Resilience and Sustainability Trust
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights
SIDS	Small Island Developing States
UAE	United Arab Emirates
V20	Vulnerable Group of Twenty



# 7

Caribbean Small Island  
Developing States (SIDS)  
*are members of the V20 Group.*



# Background

In October 2015, at the Annual Meetings of the IMF/World Bank Group held in Peru, the Vulnerable Twenty (V20) Group of Ministers of Finance was established as a dedicated cooperation initiative of 20 Global South countries that are systemically vulnerable to climate change. Since then, the V20 membership has expanded. At the end of 2023, the V20 bloc comprised 68 nations from Africa, Asia, the Caribbean, Latin America, and the Pacific, which together are home to 1.74 billion people and represent US\$3.8 trillion in gross domestic product (GDP). Seven Caribbean Small Island Developing States (SIDS) are members of the V20 Group. These are Barbados, Dominica, Grenada, Guyana, Haiti, Saint Lucia, and Trinidad and Tobago.

The V20 Group of Finance Ministers aims to facilitate the transition to low carbon, resilient Global South economies by working across the following four main areas:

1. Act collectively to promote the mobilization of public and private climate finance and other sources of climate finance.
2. Share and exchange best practices on economic and financial aspects of climate action
3. Develop improved and innovative approaches to climate finance.
4. Engage in joint advocacy and other collective actions.

In this policy brief, we discuss how the V20 Group is evolving as a Global South movement to tackle climate change through its key policy initiative: the Accra to Marrakech (A2M) Agenda. We then discuss the relevance of the V20's advocacy to the interlinked debt and climate change challenges facing Caribbean SIDS, outlining some relevant A2M agenda proposals. Much of the V20's global initiatives, reform proposals and increasing reputation have been due to the visionary leadership of Ghana's former Finance Minister Ken Ofori-Atta in his capacity of Chairman of the V20 Group. The brief concludes by looking forward to the upcoming V20 leadership transition when the Honourable Mia Mottley, Prime Minister of Barbados, assumes Chairmanship of the V20 in June 2024.



# V20's Accra to Marrakech (A2M) Agenda

The V20 Group of Finance Ministers launched the Accra to Marrakech (A2M) Agenda at the IMF/World Bank Annual Meetings held in Marrakech, Morocco in October 2023. The A2M Agenda outlines four fundamental priority areas with supporting actions to ensure a world economy fit-for-climate and supportive of its most vulnerable groups. These priority areas and recommended actions are as follows:



## 1. MAKE DEBT WORK FOR THE CLIMATE

Debt distress and the rising cost of capital threaten to reverse development gains that V20 economies have achieved and to jeopardize their ability to finance future climate and development goals. **V20 economies have already suffered losses amounting to US\$525 billion over the last twenty years from climate change.** For every US\$10 paid in interest by developing countries, an additional dollar will be spent due to climate vulnerability, and this financial burden is expected to at least double over the next decade. This creates an urgency to make debt work for the most climate vulnerable economies and to overcome their cost of capital hurdles.

### Actions:

- Reform the Common Framework to enable all debt-distressed, climate-vulnerable developing economies to obtain the necessary debt relief in a predictable, efficient and timely manner, so that V20 countries can leverage new financing to pursue their Climate Prosperity Plans (CPPs). CPPs are national investment strategies that seek to maximize socio-economic outcomes for countries on the frontline of the climate emergency. Ghana, Bangladesh, and Sri Lanka launched the first three Climate Prosperity Plans. In particular, Bangladesh's Mujib Climate Prosperity Plan has used the IMF's Resilience and Sustainability Fund (RSF) to secure US\$1.4 billion of concessional funding complemented by multilateral, private, and bilateral resources.
- Establish guarantees and other incentives such as debt service standstills to encourage the participation of all creditor classes for speedy resolution of debt negotiations.

- Accompany debt restructuring (including shock resilient debt and swaps) with credit enhancements to attract new investment for development-positive climate action, and incentives for existing creditors to participate early.
- Allow debt treatment to support the enhancement of climate resilience and the transition to climate-smart development, and inclusive debt-sustainability analysis considering the investment needs of national climate strategies and CPPs.



## 2. TRANSFORM THE INTERNATIONAL AND DEVELOPMENT FINANCIAL SYSTEM

An effective response to climate change requires scaled up finance for low carbon, resilient investments. The Songwe, Stern and Bhattacharya report estimated **the climate finance gap for developing countries at an annual US\$2.4 trillion by 2030**. There are more than sufficient financial resources in the world economy; however, a decisive shift of financial flows is required to unlock and mobilize these resources.

### Actions:

- Shift public development and international finance away from brown investments to green renewable energy, resilient infrastructure and nature-based solutions underpinned by Nationally Determined Contributions and CPPs.
- Optimize the capital of multilateral development banks (MDBs) and development finance institutions (DFIs) by enabling higher lending ratios for new green and resilient investments, and lowering lending ratios for brown and risky investments.
- Increase use of the IMF's Special Drawing Rights (SDRs) and Administered Accounts for development-positive climate action, especially in most vulnerable economies, including through wrap-around guarantees and enhanced access to the Resilience and Sustainability Trust (RST).
- Recognize the potential of CPPs and other development-positive climate action investment plans to unlock beneficial SDR/RST access and rechanneling of SDRs through DFIs and MDBs.
- Support development-positive climate investments in most vulnerable economies which have access to global capital markets through dedicated listing boards on major stock exchanges.

- Support capital increases in MDBs along with easier access to concessional finance from development finance institutions.

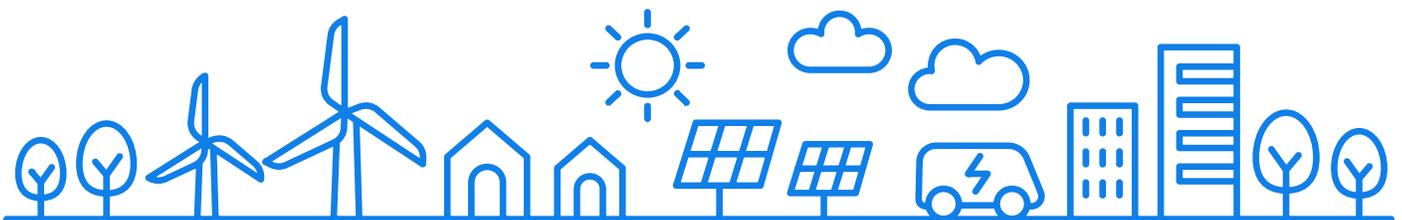


### 3. A NEW GLOBAL DEAL ON CARBON FINANCING

The 1.5°C target outlined in the Paris Agreement by 2030 remains the central focus of climate negotiations, as it is essential for survival and prosperity. However, **the world is likely to exceed the 1.5°C threshold, which calls for a new global deal on carbon finance.**

#### Actions:

- Strengthen targets of all major polluting economies whose 2030 Paris Agreement emission targets fall short of its central goal – the 1.5°C limit – on a fair-shares basis (accounting for past emissions, per head pollution, and wealth disparities), starting in 2023 until full and equitable compliance is achieved.
- Make full use of the Paris Agreement’s international emissions exchange instruments, and rapidly scale-up public cooperation with low-emitting developing economies aimed at providing crucial financial support for development-positive climate action, such as CPP projects, in exchange for internationally transferred mitigation outcomes, thus enabling major polluting economies to meet more ambitious and equitable national emission targets.
- Link major polluting markets with low polluting markets alongside an upscaling intergovernmental global carbon exchange, so as to enable the private sector to exchange emissions outcomes and finance independent of public level cooperation, in order to achieve net zero or carbon negative pathways.





## 4. REVOLUTIONIZE RISK MANAGEMENT FOR A CLIMATE INSECURE WORLD ECONOMY

**There is an urgent need to put in place anticipatory finance (pre-arranged and trigger-based funds) for loss and damage and mainstream surveillance and monitoring of climate risks of all kinds (physical, transition, spillover).** At COP27, the V20 worked closely together with the German G7 Presidency to launch the Global Shield joint initiative for more and better financial protection against climate and disaster risks. The Global Shield aims at delivering fast and effective support to vulnerable countries and people in dealing with climate risks and related losses and damages.

### Actions:

- Scale-up pre-arranged financing options to tackle climate impacts and shocks, especially for most vulnerable economies, improving the access, management, and delivery of resources ahead of time, instead of post-disaster responses underscored by efforts under the G7/V20 Global Shield.
- Increase the utilization of trigger-based design in relevant public and private financial instruments, leveraging the latest data and science to eclipse the prevailing practice of after-the-fact assessments.
- Add a dedicated OECD DAC marker for climate-related loss and damage, in order to better track development finance contributions focused on addressing growing climate impacts and shocks among most vulnerable economies.
- Systematically make universal surveillance of all climate risks inclusive of physical risks, transition risks and spillover risks for every economy in IMF Article IV surveillance a reality by 2025.
- Financial regulators should ensure that all leading credit rating agencies fully account for climate risks (physical, transition, spillover) in their assessment methodologies of public and private economic entities and capital/debt instruments and securities (inclusive of derivative markets) in order to incentivize climate action and penalize climate incompatible businesses and investments in the near-term (by 2025 at the latest). In October 2023, the V20 established a pioneering subgroup of Central Bank Governors working on climate and monetary policy.



Through its most recent communiqués, the V20 has made clear the bloc's desire to formalise its various policy asks to the IMF and World Bank and has called for the V20 to be granted official intergovernmental status by these two Bretton Woods institutions, with a formal secretariat to carry its A2M work agenda forward, noting,

“ 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.

V20 Ministerial Dialogue XI Communiqué,  
Adopted on 15 October, 2023. Bab Ighli,  
Marrakech, Kingdom of Morocco



## Relevance of the V20 to Caribbean SIDS

The work of the V20 and its A2M Agenda are directly relevant to Caribbean SIDS which are caught in a vicious, middle-income country debt-climate change trap. The resources these small island states need to invest in climate resilience are increasingly being diverted to repay debts while their borrowing costs are rising partly due to climate-related vulnerabilities, leading to more debt. At the end of 2023, six of the 14 Caribbean countries which are members of CARICOM ranked in the top 10 of the world's most highly indebted SIDS, with their public debt stock beyond 80% of GDP. One key factor that has contributed to the unsustainable debt situation of Caribbean SIDS is the destructive impacts of hurricanes due to the unique geographical location of many of these small islands in the North Atlantic hurricane basin. In the Caribbean, the top 10 climate extreme events in terms of losses as a percent of GDP have been from more frequent and powerful tropical storms and hurricanes between 1998 and 2017, six of which took place between 2015 and 2017. Dominica is in the top spot after Hurricane Maria devastated the island in 2017, causing damages estimated at around US\$1.3 billion or over 225% of the country's GDP. In Grenada and St. Kitts and Nevis the damage was also equivalent to more than one year of economic activity, after the passage of Hurricane Ivan and Hurricane Georges, respectively. In 2019, Hurricane Dorian caused loss and damages equivalent to 25% of the Bahamas GDP.

In the aftermath of these destructive hurricanes,

Caribbean governments with already limited fiscal space have little choice but to borrow heavily (mainly from the private sector and China) to fund emergency response, economic recovery and longer-term reconstruction efforts. This justifies the need for a loss and damage facility to provide financial support to countries in the wake of natural disasters. After intense lobbying over the past three decades by the Alliance of Small Island States (AOSIS), which includes Caribbean Governments, the international community agreed at COP28, held in Dubai in 2023, to establish and operationalize a Loss and Damage Fund, although the amounts pledged to the Fund (circa US\$660 million by end-April 2024) are still tiny in relation to the huge needs of climate vulnerable Caribbean countries alone.

This unjust situation reflects the inequalities embedded in the global financial architecture. The latest climate finance figures for 2022 reported by the Development Assistance Committee (DAC) suggested that the Global North provided US\$85 billion to assist Global South countries with climate adaptation and mitigation, which falls far short of the US\$100 billion commitment they have made. In addition, most of these funds have been given as loans, adding to the debt burdens of already stressed developing countries, while the distribution of funds prioritised mitigation, left adaptation substantially underfunded and ignored loss and damage, an area which is most critical to Caribbean SIDS. For Caribbean SIDS, breaking free from their vicious debt-climate change trap calls

for a multi-faceted response from the international community, broadly similar to actions contained in the A2M Agenda, comprising a transformed global debt architecture, debt relief and more grants and concessional financing.

In this respect, while welcoming the IMF's fledging climate work, the V20 has called for it to go further, noting that the IMF should 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. In October 2022, the IMF took an important step to expand and complement its lending toolkit by creating the RST, which is designed to provide much needed longer-term, concessional financing to developing countries to help them deal with key structural challenges such as climate change. Both Barbados and Jamaica are currently receiving concessional financing from the Resilience and Sustainability Fund (RSF), the instrument under which RST loans are made.

Additionally, the V20 continues to emphasise the

need for more public financing via the World Bank and other MDBs, encouraging them to formulate plans for a general capital increase to boost grant-based resources, technical assistance, and low-cost financing of their climate-vulnerable members, while concurrently pursuing balance sheet optimization measures.

Against the backdrop of a worsening developing world debt crisis, the V20 ministers have called for improvements to the IMF's debt sustainability assessments, which currently focus only on 'sustainability' related to countries' abilities to service their debts, without taking into consideration the financing needs related to national climate strategies, social spending, or human rights obligations. The V20 has encouraged the IMF to further refine its debt sustainability analyses to better capture climate risks, including cross-border transition risks, loss and damage, and their macro-critical impacts, and resource mobilization needs. Further, the V20 group has called on MDBs to take part in debt restructuring efforts under a comparability of treatment rule that accounts for the cost of lending and concessionary elements.



Climate Risk  
Inclusion



MDBs in Debt  
Restructuring



Debt Sustainability  
Improvements

# Looking Forward

Under Ghana's leadership, the V20 Group of Finance Ministers has developed several initiatives, especially its A2M Agenda, which outlines transformative proposals for systemic reform of the global financial architecture. As a Global South initiative that speaks the language of the international financial institutions, the V20 has been advocating over the past decade for major systemic changes to the 80-year old global financial architecture so that countries can tackle their climate and development crises. In December 2023, the A2M Agenda was integrated into the COP28 UAE Declaration on a Global Climate Finance Framework which seeks to make international climate finance available, accessible and affordable and marks a significant step towards enhancing credit for sustainability-linked sovereign financing.

In June 2024, Prime Minister Mottley assumed Chairmanship of the V20. Prime Minister Mottley has championed the Bridgetown Initiative: a set of ambitious policy asks to address immediate financial needs of countries facing debt distress and liquidity challenges, facilitate the accomplishment of the Sustainable Development Goals (SDGs), while also starting to address systemic issues requiring transformation of the international financial architecture. Some of

the action areas of Bridgetown 2.0, the latest iteration of the Bridgetown Initiative, are aligned to the V20's A2M Agenda, especially reform of the international financial architecture to make debt work for the most vulnerable countries. In assuming the role of Chairperson of the V20 Group, there is likely to be some synthesis of the A2M Agenda and Bridgetown 2.0, possibly creating a Bridgetown 3.0 in the near future.

As the V20 Group continues to evolve in international policy spaces, it is important that the bloc continues its advocacy for global climate policy reforms that favour the Global South. The moral authority of Prime Minister Mottley will be key in the upcoming leadership transition so that the essence of the A2M Agenda continues to influence the policy direction of international climate negotiations and the broader global economy. With a greater volume and mix of concessional financial support, highly indebted, climate vulnerable Caribbean SIDS will have more resources to invest in quality education, better health care, cleaner renewable energy, and more resilient infrastructure, all of which are key to ending extreme poverty in the region. For this reason, CPDC, in principle, broadly supports the work of the V20 Group while continuing to advocate for a sovereign debt and climate justice initiative that benefits the people of all Caribbean SIDS.





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