



## Memorandum

### World Bank and IMF Spring Meetings Side Event: Climate Finance, FCV Settings and Future-Fit Food Systems April 18, 2024

On April 18, 2024, Nexus<sup>25</sup>, the Center for Climate and Security (CCS), and the International Committee of the Red Cross (ICRC) hosted the third annual roundtable on the sidelines of the World Bank and International Monetary Fund (IMF) Spring Meetings. The event brought together leaders from government, international financial institutions (IFIs), civil society, and multilateral organizations. After hearing opening “pitches” on climate finance innovations and best practices, participants discussed how to build the case for investments in fragile, conflict-affected, and vulnerable (FCV) settings, operationalize policy frameworks like the [Declaration on Relief, Recovery and Peace](#), and support nexus thinking in IFIs.

This year’s discussion took place against the backdrop of an increasingly stagnant climate finance debate. Today, extreme weather events and other climate impacts are becoming more frequent, affecting the livelihoods, health, food systems, and security of communities around the world, [particularly those affected by fragility and conflict](#). Therefore, building resilience to climate change – the ability to anticipate, respond to, and withstand these shocks – is critical for policymakers, development practitioners, and local leaders alike. At the same time, governments and multilateral institutions face a limited budgetary environment, preventing them from investing in central challenges like future-fit food systems or the energy transition.

Adequate, fit-for-purpose climate finance is the key to successful mitigation, adaptation, and resilience – placing the World Bank, IMF, and other IFIs at the center of the green transition and other sustainable security efforts. Most stakeholders agree that finance needs to be improved and more frequently deployed to FCV settings, but [significant roadblocks](#) outweigh progress made thus far. Instead, debates over the debt crisis in emerging markets, a contentious geopolitical environment and high demand for immediate emergency response have stymied concrete action. In this context, the Nexus<sup>25</sup>/CCS/ICRC discussion sparked conversation on three core themes:

*Best practices for climate finance, particularly in fragile settings.* Lessons learned from attendees’ work in FCV contexts were a core component of the discussion, particularly best practices from their work to prevent, prepare for, and respond to crises in-country. As emphasized by one participant, “preparedness is the key word.” From the government and IFI side, best practices emphasized included the recent [debt-for-nature swap in Ecuador](#) featuring a “\$85 million ‘credit guarantee’ from the Inter-American Development Bank and \$656 million of political risk insurance from the U.S. International Development Finance Corp (DFC)”, as well as the [Risk Management Response Fund](#) (100 million US dollars), an effort established following the worst tropical cyclone in Mozambique’s history which transferred the risk to insurance markets to more quickly and efficiently mobilize resources. Another success story highlighted included USAID’s [Nawiri Initiative](#), a 2019-2027 effort combining climate finance (carbon credits and co-

financing), food security, and health security to support long-term nutrition in Kenya. These examples represent areas of opportunity for governments, civil society, and IFIs as they try to build the case for investments in FCV settings that would typically be deemed “too risky” for climate finance projects.

*Reforms proposed by current IFI leaders.* Recognizing some of the limits of current institutions and the [World Bank Reform Agenda](#), participants noted several areas of opportunity for reform or creative solutions being discussed at the Spring Meetings. One of these is the repurposing of [Special Drawing Rights \(SDRs\)](#), an international reserve asset that can be used as a credit line during a crisis, [as was deployed](#) during the Covid-19 pandemic. While there are limits to the funds available, particularly given the current US Congressional context, participants and Spring Meetings attendees noted that they could be part of a patchwork solution to today’s limited climate finance pool. Another key theme was the need for the [robust replenishment of the International Development Association \(IDA\)](#), which offers concessional loans and grants to the world’s developing (and frequently most fragile) countries. The IDA will be critical to reaching the most vulnerable contexts, as they often do not qualify for other forms of climate finance – particularly projects led by the private sector. Attendees added that the IDA21 agenda must include reforms to improve funding transparency and mainstream food security. Finally, participants broadly noted that the World Bank and other IFIs needed to do more to de-risk investments, bring in private sector dollars, and be more aggressive in their climate investments. These points were emphasized by the Meetings’ [final statements](#), which included strong support for these mechanisms, as well as [injections of funding](#) to the Bank’s new Portfolio Guarantee Platform.

*Unresolved challenges facing climate finance.* Finally, participants touched on a core challenge facing the climate finance space in the years to come: the debt distress level in many climate-vulnerable countries. [Analysis](#) from the V20, a grouping of the most vulnerable economies, demonstrated that between 2022-2028, they “will be responsible for almost \$435.8 billion in payments to various creditors, with 2024 a particularly acute year at \$68.9 billion.” Furthermore, after 2028, IFIs like the World Bank and IMF will receive the largest share of these payments. This represents an existential challenge to the climate finance debate. While much of the conversation in settings like the UN climate negotiations (COPs) and the Spring Meetings is focused on unlocking higher dollar amounts of climate finance, little attention is paid to whether vulnerable countries can access it in practice. Current levels of debt and debt distress limit progress and investments in FCV settings, particularly if finance continues to be made available at market rates. This status quo also limits preparedness and response efforts as governments look to slash an [Oxfam-estimated](#) 229 billion US dollars in public spending over the next five years to repay their debts. Debt will be an existential challenge to the future of climate finance unless major changes are made to the format of climate finance or debt repayment methods.

Overall, the discussion emphasized that it is critical to move beyond the barriers to change and instead focus on what methods can be deployed to break these barriers down. Policymakers and development practitioners alike are well aware of the challenges that lie ahead and must begin working toward creative climate finance solutions. This must be informed by current best practices or case studies of successful interventions, as well as leadership from the Global South. Done right, this can ensure that climate finance can withstand the side effects of today’s limited budgetary environment, support local stakeholders, and build climate resilience in the most fragile contexts.

Attendees (speakers in bold):

1. Alex Stapleton, Senior Climate Policy Advisor, Foreign Policy for America
2. Allison McManus, Managing Director for National Security, Center for American Progress (CAP)
3. Amanda Catanzano, Vice President for Global Policy and Solutions, International Rescue Committee (IRC)
4. Andrew Herscowitz, Executive Director, ODI North America
5. Anmol Vanamali, Director for Innovative Climate Finance, Development Finance Corporation (DFC)
6. Annette Abelsen, Director of the Section for Global Health and Education, Norwegian Ministry of Foreign Affairs
7. Avinash Persaud, Special Advisor on Climate Change to the President, Inter-American Development Bank (IADB)
8. Diana Rademaker, Policy Advisor, International Committee of the Red Cross (ICRC)
9. Erin Sikorsky, Director, Center for Climate and Security (CCS)
10. Luca Cinciripini, Researcher, Istituto Affari Internazionali (IAI)
- 11. Marcia Wong, Deputy Assistant Administrator, USAID/BHA**
12. Margherita Bianchi, Director of the Energy and Climate Program, Istituto Affari Internazionali (IAI)
13. Michael Werz, Senior Fellow, Center for American Progress (CAP) and Senior Adviser for North America and Multilateral Affairs, Munich Security Conference
14. Michel Matera, Senior Disaster Risk Management Lead Global Practice for Social, Urban, Rural Resilience, The World Bank
- 15. Michelle Strucke, Director for the Humanitarian Agenda and Human Rights Initiative, CSIS**
16. Patricia Perera, Feeding Resilience Senior Fellow, CCS
- 17. Patrick Hamilton, Head of Delegation, ICRC**
18. Siena Cicarelli, Fellow, Center for Climate and Security (CCS)
19. Stéphane Hallegatte, Senior Climate Change Advisor, The World Bank
20. Teresa Spancken, Project Manager, Stiftung Mercator



Nexus<sup>25</sup> is a joint project of the Istituto Affari Internazionali (IAI) in Rome and the Center for Climate and Security (CCS) in Washington, DC. The project, led by Dr. Nathalie Tocci at IAI, Erin Sikorsky at CCS and Dr. Michael Werz at the Center for American Progress (CAP), is funded by Stiftung Mercator in Germany.

For additional information please visit <https://www.nexus25.org> or contact the Nexus<sup>25</sup> team at [info@nexus25.org](mailto:info@nexus25.org).