"The World Bank Group and the International Monetary Fund Must Put Climate, People and Nature at the Center of Their Operations"

The member organizations of the Latin American and Caribbean Network for a Sustainable Financial System (REDFIS, for its acronym in Spanish) present this positioning in the context of the **2025 Spring Meetings of the World Bank Group (WBG) and the International Monetary Fund (IMF),** with the aim of demanding these institutions concrete commitments and structural reforms that promote a more sustainable, equitable and resilient international financial system.

The current context presents **multiple challenges,** especially for countries in the Global South, which face increasing economic difficulties in responding to the i**mpacts of climate change and the debt crisis, aggravated by limited fiscal space.** In 2020-2021, more than half of global climate finance was channeled through debt instruments, while grants accounted for barely 6% of the total (SCF, 2024a). In Latin America and the Caribbean, more than 90% of climate resources are provided in the form of loans (GFLAC, 2024), worsening the sovereign debt crisis and reducing fiscal space for other development priorities.

The year 2025 is key for climate finance, as many countries have yet to submit -within the Paris Agreement- their **new nationally determined contributions (NDCs),** for whose implementation developing countries will require significant financial support. In 2024, at least 98 countries costed 2,753 actions requiring finance (48% of the total) within their NDCs. These needs range from 455 to 584 billion dollars annually until 2030 (SCF, 2024b). In the case of Latin America and the Caribbean, achieving the NDCs requires between 215 and 284 billion dollars annually until 2030 (ECLAC, 2024).

Following the weak agreement reached at the 29° Conference of the Parties (COP29) of the United Nations Framework Convention on Climate Change (UNFCCC) on the **new collective quantified goal (NCQG) on climate finance,** which calls for the mobilization of 300 billion dollars annually -a clearly insufficient figure-, it is imperative to accelerate actions that not only allow for achieving this commitment, but also drive a profound transformation of the international financial system.

In this context, and as one of the outcomes of the NCQG, the creation of the **Baku to Belém Roadmap to mobilize 1.3 trillion dollars** was proposed, which contemplates support for the implementation of NDCs and national adaptation plans (NAPs). This initiative will be one of the central topics on the road to COP30 in Brazil. Its implementation requires a coordinated effort to close financial gaps, especially in terms of adaptation. Otherwise, meeting climate commitments and pursuing greater ambition will be very difficult for most developing countries.

In the region, revenues from carbon-intensive activities are 19 times higher than revenues from climate and biodiversity finance. At the same time, budgets allocated to carbon-intensive sectors are 12 times greater than those allocated to sustainability (GFLAC, 2024). To change this reality, international financial institutions (IFIs) and multilateral development banks (MDBs) must reform their operations, ensuring that all financial flows are consistent with a low-emissions and climate-resilient development, in line with **Article 2.1.c of the Paris Agreement**[1]**.**

[1] REDFIS's submission to the UNFCCC on the topics, stakeholders and other processes relevant to the 2025 workshops of the Sharm el-Sheikh Dialogue is available at:

Given this scenario, we highlight **eleven key priorities** that must be promoted within the context of the 2025 Spring Meetings and in view of COP30:

1. **Increased Adaptation Finance:** Beyond doubling it by 2025, as agreed at COP26 in 2021, it is necessary to increase it at least tenfold to balance it with mitigation finance. In 2019-2020, more than half of adaptation finance was provided in the form of loans, while only 31% corresponded to grants (SCF, 2024c). This trend must be reversed, prioritizing non-debt mechanisms to avoid increasing the financial burden of developing countries.

   IFIs must prioritize adaptation finance, and this should be one of the main aspects to be considered in the Baku to Belém Roadmap.

2. **Urgent Finance for Loss and Damage:** As the trustee of the Fund to Respond to Loss and Damage, the WBG must ensure that resources to address loss and damage are new, additional, predictable and adequate. This finance should not be based on debt and should ensure direct access for the communities that live in a state of higher vulnerability.

3. **Finance for Nature Protection:** The protection of biodiversity, ecosystems and nature in general must be placed at the center of IFIs' operations. In addition to ensuring alignment with climate commitments, it is essential to ensure convergence with biodiversity objectives and avoid perpetuating an extractive model that is increasing the devastation of entire ecosystems. Furthermore, the protection model must consider the people who defend these territories.

4. **Strengthening Social and Environmental Safeguards:** Safeguards must be implemented to prevent finance for harmful activities, including the exclusion of finance for activities that violate Human Rights; the free, prior and informed consent of Indigenous Peoples; and activities that negatively affect sensitive biodiversity areas.

5. **Improving Access to Climate Finance:** It is urgent that IFIs simplify procedures and facilitate direct access to finance for Indigenous Peoples, local communities, women and youth, among other groups in vulnerable situations.

   This should include innovative financial mechanisms for collective actions based on non-market criteria and a significant increase in the proportion of grants.

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https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202503041123---REDFIS-Submission%20Art.%202.1.c.pdf?_gl=1*1wp0yl1*_ga*MTYzMjAyNzUxNy4xNzQwNDAwMjE1*_ga_7ZZWT14N79*MTc0NDExMzU4MS40OC4wLjE3NDQxMTM1ODQuMC4wLjA.

6. **Debt and the Climate Crisis:** The WBG and IMF's financial model should not increase the indebtedness of developing countries or pressure them to exploit their natural resources.

   Debt relief mechanisms linked to climate action should be promoted, in line with what was agreed on the NCQG at COP29, where IFIs and MDBs were urged to implement non-debt instruments and expand highly concessional finance[2].

7. **Decarbonizing Public Finance:** The WBG and IMF should exclude all fossil fuel finance and review their methodologies for alignment with the Paris Agreement. In 2022, global fossil fuel subsidies reached a record 7 trillion dollars, equivalent to 7.1% of global GDP (IMF, 2023). Without phasing out these incentives for the fossil fuel industry, any effort to redirect resources towards sustainable development will be insufficient.

8. **A New Fiscal Pact:** Within the context of these international spaces, a call should be made to establish taxes on large emitters, and those with the greatest resources and who carry out polluting activities. These revenues should be allocated to a just and equitable transition, taking into account the specific needs of each country in the region.

9. **Democratizing Financial Governance:** IFIs must reform their decision-making structures to ensure more equitable representation and give a voice to the countries and communities most affected by the climate crisis.

10. **Allocation of Special Drawing Rights (SDRs):** The SDRs distribution system needs to be reviewed to ensure that the most vulnerable countries receive adequate support, through allocations based on actual needs rather than disproportionate IMF quotas.

11. **Transforming the IMF's Role:** The IMF's climate strategy must prioritize the transition to renewable energies and climate resilience rather than imposing conditionalities that perpetuate fossil fuel dependence in countries in the Global South.

REDFIS urges the IMF and WBG to take concrete steps to ensure that the international financial system responds urgently to the climate crisis and facilitates a just transition. To achieve this, it is essential to reform the functioning of these organizations, ensure that financial flows are consistent with low-emissions and climate-resilient development, and close the climate finance gap in the region.

[2] REDFIS's submission to the UNFCCC on expectations, issues and multilateral initiatives relevant to the NCQG's "Baku to Belém Roadmap to 1.3T" is available at: https://unfccc.int/documents/646131