Bridgetown Initiative

BRIDGETOWN INITIATIVE ON THE REFORM OF THE INTERNATIONAL DEVELOPMENT AND CLIMATE FINANCE ARCHITECTURE

Version 3.0

> **"We are living in the season of superlatives on a scorched Earth. To have any chance of reversing this trajectory, we must build a more responsive, fairer and more inclusive global financial system to fight inequalities, finance the climate transition, and accelerate the achievement of the Sustainable Development Goals."**
>
> - H.E. Mia Amor Mottley, Prime Minister of Barbados

THE GLOBAL ECONOMIC AND FINANCIAL SYSTEM CONTINUES TO FAIL US.

It is a matter of deep concern that, at a time when the world is expected to achieve only 15% of the Sustainable Development Goals (SDGs), prevailing conditions are such that Governments in the world's poorest countries are being forced to devote more resources to debt service than to health, education, and infrastructure combined. **As a result, in the last four years, 165 million people have fallen into poverty;** one in ten people now live on under $2/day.

In 2023, the global average **near-surface temperature was 1.45ºC above the preindustrial baseline** and average temperatures temporarily **breached the critical 1.5ºC threshold. Further, the year 2024 is becoming the warmest in recorded history.** The resulting impacts are especially devastating in climate vulnerable countries, which are home to 4.5 billion people, half of whom live in poverty. **This can no longer be ignored. It must be addressed. The voices of the people demand immediate attention and inclusion.**

Tinkering at the margins of a broken system is akin to rearranging deck chairs on the Titanic. **It is time to act in solidarity for people and planet.**

Unveiled in 2022, **the Bridgetown Initiative has helped to lead a paradigm shift in the discourse on scaling capital flows and reshaping the financing system to achieve the SDGs and spur climate action.** There is wide convergence on its tenets, including in the CVF-V20 Accra-Marrakech Agenda and the principles of the Global Climate Financing Framework. **The Bridgetown Initiative is not a dialogue about numbers, but an agenda for lives of dignity for billions across the globe.**

Some progress has been made. The International Monetary Fund (IMF) has created the Resilience and Sustainability Trust (RST). The G20 has committed to re-channeling more than $100 billion in Special Drawing Rights (SDRs). A Loss and Damage Fund was launched at COP28 with an initial $700 million in commitments. Multilateral Development Banks (MDBs) are increasingly supporting debt swaps. The Inter-American Development Bank (IADB), World Bank and other official sector lenders are including natural disaster clauses across a range of new and existing loan agreements. The Asian Development Bank has unlocked $100 billion of additional lending through reforms to its Capital Adequacy Framework.The African Development Bank (AfDB) is increasing lending by raising hybrid capital from private investors.

The World Bank has committed to tripling its guarantee capacity through the Multilateral Investment Guarantee Agency (MIGA), and other guarantee providers are scaling local currency offerings. Currency hedging solutions and early-stage project pipeline facilities are being announced, with support from pooled philanthropic funds. Finance Ministers under Brazil's G20 Presidency have committed to exploring ways to tax the super-rich.

STILL, THIS FALLS WOEFULLY SHORT OF WHAT IS REQUIRED.

There is much unfinished business. Global efforts to facilitate the restructuring of unsustainable debts have proven slow, reactive, and insufficient. While MDB reforms have momentum, we are a far cry from the $500 billion a year in additional official lending that the world requires to address the climate crisis and achieve the SDGs. While flows of climate finance from the private sector are growing, this is largely happening in developed economies for mitigation. Much more must be done to align private capital to sustainable development imperatives, especially for nature and adaptation. A more equitable governance of the International Financial Institutions remains elusive. Despite progress to expand liquidity support, high interest rates have combined with maturing debt to create an avalanche of unsustainable debt service over the next three years. Rather than driving a green and just transition, our trading system risks being subverted by geopolitical tensions over the control of resources critical for the energy transition.

Low and middle-income vulnerable countries, including small island developing states, **feel the implications of this acutely.** We cannot afford to choose between tackling development or climate; they are two sides of the same coin.

An additional **$1.8 trillion annually is needed to address the climate crisis and nature related investments in emerging markets and developing countries (EMDEs) and $1.2 trillion annually, to achieve the SDGs.** About $950 billion of the climate and nature financing gap is expected to be closed by domestic sources; the remaining $850 billion must come from external sources. **It is not an exaggeration to say that the level of financing which is made available, to which countries will have access and on what terms, are issues of survival for millions of people and for the well-being of our planet.**

The commitment of developing countries to establish policy frameworks that **preserve debt sustainability,** while defining and delivering on robust plans to promote socially-inclusive, equitable, climate-resilient and environmentally-sustainable development, must be supported. Such support must be realized through official development assistance and **development finance at a sufficient scale to enable country-owned, structural transformation strategies and move them up the value chain.**

To achieve this, **we need financing to be provided on affordable terms. This would enable countries to have greater fiscal space to invest in their future.** We must **invest in Global Public Goods (GPGs)**—including climate change adaptation and mitigation, fragility and conflict remediation, pandemic prevention and preparedness, energy access, food and nutrition security, soil health, water security and access, enabling digitalization, protecting biodiversity and nature—recognizing that our societies and economies are deeply interlinked. **We must look to new sources of financing, including international taxation regimes** that support the energy transition, action for adaptation, and loss and damage. This includes contributions from sectors benefiting the most from globalization, those with the largest carbon and greenhouse gas emissions, and those contributing the least to taxation. **We need a viable insurance market,** as a precondition for governments, businesses and individuals to invest in assets, whether infrastructure or homes.

I. WE MUST CHANGE THE RULES OF THE GAME

1. We call on **international financial institutions** to give a stronger voice to developing countries **in their governance and decision-making.**

2. We call on the G20 to reform the **Common Framework which falls woefully short of addressing borrower needs in a timely way,** including to **prevent countries from defaulting using proactive measures and, in cases of default,** to ensure that all creditor classes comply in an accelerated, time-bound, transparent and equitable manner. **Debt relief should be sufficiently robust to ensure countries are able to finance their development and climate goals.**

3. We call on the **IMF/World Bank to reform the growth forecasting methodologies** that feed into their Debt Sustainability Analysis (DSA) frameworks, including by (i) better reflecting investments in adaptation, clean energy and natural capital as potential drivers of long-term growth and enhanced resilience; (ii) identifying and promoting sustainable financing mixes (i.e. comprising cheap, ultra long-term debt, and grants in the case of low income countries) that support the achievement of climate and development goals in a fiscally sound manner that is less likely to contribute to the breaching of critical DSA thresholds; and (iii) providing transparency on its updated growth forecast models.

4. Alongside these reforms, we call upon the **Credit Rating Agencies** to work proactively to increase the transparency and consistency of their methodologies in order to make ratings outcomes more predictable for both market participants and issuers.

5. We call upon the **World Bank and other finance providers to include climate vulnerability, natural capital and biodiversity conservation needs in their criteria for allocating concessional finance,** addressing the inequity of many countries being classified as ineligible solely on a GNI per capita basis.

6. We call for **a multilateral trading regime that supports a green and just transition,** including by ensuring that carbon border adjustment mechanisms do not unfairly punish developing countries. **We call upon countries to revive a constructive dialogue** on the establishment of a **universal carbon pricing mechanism** and develop **high integrity carbon markets.**

II. WE MUST SHOCK PROOF ECONOMIES

7. We call upon the **IMF to boost country capacity to invest in resilience,** including by **re-channeling SDRs through MDBs.** We call upon the **IMF and its shareholders to agree on a new issuance of at least $650bn in SDRs to expand the balance sheets of MDBs to support SDGs and climate action.**

8. We call upon the **IMF to reduce the cost of lending** including by making it easier to access the Resilience and Sustainability Facility (RSF) on a stand-alone basis and extending the Extended Fund Facility repayment period to match the RSF.

9. To enhance **disaster preparedness** and provide **immediate liquidity support and greater breathing room to all climate-vulnerable countries in the aftermath of a climate disaster:**

a. We call upon the IMF to **replenish the Catastrophe Containment and Relief Trust** and expand its eligibility criteria; and **expand the large natural disaster windows of the Rapid Credit Facility and Rapid Financing Instrument** to help countries respond to climate shocks.

b. We call upon the **World Bank to establish a universal contingent financing facility available to all vulnerable countries on concessional terms.**

c. We call upon all debtors and public and private **creditors to introduce natural disaster clauses and avoid the use of bullet payments** in all lending instruments.

d. We call upon the **World Bank to expand natural disaster clauses to all climate vulnerable countries** and to broaden the trigger to include food and health crises.

e. We call on bilateral donors to help **expand and deepen insurance markets, including by capitalizing regional risk pools** for key assets in vulnerable countries, and provide greater support to countries in assessing climate risks and tools to manage them.

III. WE MUST DRAMATICALLY INCREASE FINANCING FOR THE SDGS AND CLIMATE ACTION

10. **We call upon new and existing donor countries to replenish IDA21 by at least $120 billion and triple IDA by 2030.**

11. **We also call upon donor countries to replenish and strengthen existing vertical climate finance funds, including the Green Climate Fund (GCF),** to provide the catalytic funding needed to unlock investment in mitigation and adaptation.

12. **We call on MDBs to develop a plan to provide an additional $300 billion a year in affordable, longer-term (30-50 year) financing** for the SDGs, as well as for adaptation, and to expand the criteria used for allocating concessional financing to include climate vulnerability.

13. **We call on MDBs to fully implement the G20 Capital Adequacy Framework (CAF) recommendations** to significantly increase and improve lending. We call on **MDB shareholders to initiate new general capital increases** to ensure MDBs can provide the ongoing support to developing countries to achieve their development and climate goals.

14. **We call on MDBs, DFIs and climate funds to help mobilize at least $500 billion a year of private capital for climate action and the SDGs** – both international and domestic capital, including through:

a. Better and more project preparation and early-stage equity to build an investable pipeline of projects.
b. Developing, scaling and replicating effective risk-sharing and credit enhancement mechanisms, including guarantees and other blended finance instruments.
c. Deepening local capital markets, scaling local currency lending and derisking, reducing the cost of FX hedging and liquidity facilities and strengthening the role of regional development banks.
d. Partnering with philanthropy especially to develop and scale frontier adaptation business models and build the capacity and skills base to implement the transition.
e. Innovating robust solutions to the growing challenge of uninsurable assets and monetizing avoided costs.

15. **We call for new sources of progressive finance to fund GPGs and loss and damage** including through:

a. **An international tax on the super-rich.**
b. **Repurposing harmful subsidies.**
c. **Taxing fossil fuel company windfall profits** and implementing an **emissions levy on hard-to-abate sectors like aviation and shipping, along with international financial transactions** underpinned by a **comprehensive UN Tax Convention** to create a forum for truly inclusive tax negotiations.
d. A philanthropically-funded **Global Compact** for GPGs.

16. We call upon developed countries to **meaningfully capitalize and effectively operationalize the Loss and Damage Fund and deliver on the commitment to increase international biodiversity finance to least $30 billion** per year by 2030.

It will be imperative to take account of progress made at key moments and on pivotal issues over the next 18 months. **Progress on this agenda is critical. Failure to tangibly advance this agenda by the end of 2025, will yield unthinkable costs to lives, livelihoods and our planet.**

Ours is the responsibility to build a world of dignity for all on the planet we call 'home.'

WE CAN AND MUST DO BETTER.