More than 110 organizations and citizens from Latin America and the Caribbean (LAC) present a statement to the World Bank (WB) and the International Monetary Fund (IMF) within the framework of the Annual Meetings of the World Bank (WB) and the International Monetary Fund (IMF) in Washington DC, with the aim of urging the implementation of concrete actions that promote a more sustainable financial system, as well as to ensure sustainable, fair and equitable financing.

The context of multiple crises is challenging governments and institutions worldwide, especially in countries of the Global South, which lack financial capacity to address these challenges, specifically LAC, being one of the regions most vulnerable to climate change.

The year 2024 is critical for climate finance: on one hand, the establishment of a **new collective quantified goal (NCQG) on climate finance** will be the central theme of climate negotiations of this year, aiming to be one of the main outcomes of the 29° Conference of the Parties (COP29) in Azerbaijan. This new goal seeks to increase ambition through the provision of greater and better climate finance, which will be critical to in turn increase the ambition of the new **nationally determined contributions (NDC)** that will start to be formulated and communicated during and in the months following COP29.

It is also a crucial year since a **call has been made to reform financial institutions** such as the WB and the IMF to put issues such as addressing climate change at the center of their policies, as well as to address structural issues such as the problem of indebtedness of developing countries.

According to the **Sustainable Finance Index (GFLAC, 2024)**, most of the financing that reaches the region regarding climate change is in the form of loans, increasing public debt. In addition to this, in the 20 most emitting countries of LAC, carbon-intensive revenues exceed sustainable revenues by 15 times, and carbon-intensive budgets exceed sustainable budgets by 31 times. This highlights the **urgency of decoupling the region's economies from extractive activities and promoting the development of economies based on nature protection and climate harmony.** To move in that direction, it is important, on one hand, to ensure compliance with finance commitments by developed countries; and on the other hand, to promote the transformation of the international financial architecture to ensure that financial flows are consistent with low-carbon and climate-resilient development, as established in Article 2.1.c) of the Paris Agreement.

The urgency becomes even more urgent considering that, according to the United Nations Environment Programme (2023), **finance for adaptation decreased by 15% in 2021**, despite the increase in meteorological phenomena and other impacts of climate change, with LAC being a highly vulnerable region, where increasing finance for losses and damages becomes unavoidable.

All of these matters are a fundamental part of **building a sustainable financial model in the world**, which begins with a rapid and accelerated reduction of incentives and finance for carbon-intensive activities. In response to this need, organizations belonging to the Latin American and Caribbean Network for a Sustainable Financial System (REDFIS, as known in Spanish) recognize the importance of international financial institutions undertaking structural reforms and incorporating climate change and sustainable development into their priorities. To advance in this direction, we have identified nine strategic lines that must be promoted within the framework of the Annual Meetings, to carry out a just and sustainable transition, but above all, giving urgent attention to the climate crisis and its evident consequences:

1. **A NCQG on climate finance that takes into account countries' needs:** It is essential that countries agree on a new objective that focuses on public financing from developed countries to developing countries and that is based on grants and highly concessional schemes, which are mostly directed to adaptation and loss and damage with support for just transitions. Likewise, it is essential that access is guaranteed and the increasing indebtedness of developing countries is avoided. It is also essential to establish a transparency scheme capable of monitoring its progress and reviewing it every 5 years or no more than 10.
2. **Increase finance for adaptation:** It is essential to increase climate finance for adaptation, beyond doubling it by 2025, as established since COP26. It is important to have a commitment to increase adaptation finance by at least ten times, to balance it with mitigation finance. The WB and the IMF play a very important role in integrating adaptation into their operations and project portfolios, but above all in their technical cooperation. This financing must fundamentally be public in the form of donations and must be the core of the NCQG to be discussed at COP29. For their part, and in order to comply with article 2.1.c) of the Paris Agreement, the WB and the IMF have a very important role to integrate and increase adaptation in their operations and in their project portfolios, but above all in their technical cooperation based on donations.
3. **Urgent finance for loss and damage:** In 2023, it was agreed that the WB would be the host of the Loss and Damage Fund, and in 2024 it confirmed its commitment and that it can meet the conditions established in the COP28 decision, although it remains to highlight what mechanisms it will establish to ensure new, additional, predictable, and adequate financial support. It is vital for communities and countries affected by the climate crisis that the Fund is sufficiently capitalized to disburse the needed resources. In addition to this, direct access must be ensured by local populations and those in vulnerable situations. Any delay by the WB could result in further irreparable losses for these vulnerable communities.
4. **Improvements in access to climate finance:** It is essential to improve the access to finance, specifically for local communities and Indigenous Peoples, as well as for other historically marginalized groups and who live in a state of vulnerability such as people with disabilities, women, children, and adolescents. The WB and the IMF must promote efficient access to financial resources and simplify finance approval procedures, as well as the implementation of innovative financial mechanisms, so that they do not create more obstacles to meet these prevailing needs.
5. **Debt and climate crisis:** The WB's business model relies heavily on loans and conditionalities, which are completely inadequate instruments for addressing the climate crisis, as they further exacerbate the indebtedness of developing countries. Additionally, to ensure debt repayment,

these countries face increased pressure to overexploit natural resources and promote highly polluting extractive activities. It is crucial that projects developed by the WB do not generate more unsustainable debt or pressure countries to invest in fossil fuels, but rather promote the development of clean and sustainable renewable energies.

6. **Decarbonization of public finance:** It is crucial to decouple financial systems from fossil fuels, fairly, orderly, and equitably. The WB and the IMF must commit to excluding all direct and indirect financing for fossil fuels and review their alignment methodology with the Paris Agreement to ensure it is rigorous enough. Shareholders can pave the way by progressively eliminating inefficient subsidies for fossil fuels, promoting an accelerated transition in developed countries and creating incentives for this to happen in developing countries.
7. **A new international fiscal pact:** WB shareholders must advance in the consolidation of a new international fiscal pact within the framework of the United Nations to generate additional revenues to address the climate crisis, through taxes on the most polluting and resource-rich. Schemes such as environmental taxes and carbon taxes must be established, ensuring that revenues are allocated to just transitions.
8. **Democratization of decision-making governance:** International financial institutions must be reformed and democratized to ensure more equitable representation and redistribution of resources that respect human rights. The most polluting shareholders should not have disproportionate power, and it must be ensured that countries and communities affected by the climate crisis have a significant voice in decisions to guarantee a just transition to sustainable development.
9. **Allocation of Special Drawing Rights (SDRs)**: In response to the impacts of the climate crisis, not only a new issuance of SDRs for immediate support is needed, but also a review of its distribution system, as the current allocation is insufficient in the face of the goals and needs of developing countries. This implies regular or periodic issuances, or in response to specific crises or catastrophes, with allocations based on needs, which could help avoid politically motivated delays. Allocation based on IMF quotas has been unfair and has not reached the most vulnerable countries.
10. **Transformation of the IMF's role:** The IMF's climate strategy, which currently prioritizes macroeconomic and financial stability over critical mitigation and adaptation objectives, imposes conditionalities that perpetuate the expansion of fossil fuels in Global South countries with hydrocarbon reserves, aiming to ensure debt service payment and balance of payments stability. It is imperative that the IMF reorient its priorities towards an approach that actively promotes the transition to renewable energies and the building of climate-resilient economies.