

## Draft Co-Chairs' Meeting Summary

### 9<sup>th</sup> Ministerial Meeting of The Coalition of Finance Ministers for Climate Action

**April 14, 2023**

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The Coalition of Finance Ministers for Climate Action gathered in-person for our 9<sup>th</sup> Ministerial Meeting on April 14, 2023, chaired jointly by Sri Mulyani Indrawati, Minister of Finance of Indonesia, Sigrid Kaag, Minister of Finance of The Netherlands, and Pekka Moren, Special Representative of the Minister of Finance of Finland. During the meeting, Pekka Moren handed over the Co-Chairmanship to Sigrid Kaag.

The Coalition continues to grow and now includes 84 member countries—representing 39% of global carbon emissions<sup>1</sup>—and 26 institutional partners.

We are convening at a time when the global economic outlook is uncertain: the recovery of the global economy has slowed and is facing a major setback as a result of Russia's unprovoked and unjustified war against Ukraine. The increasing frequency and cost of natural disasters adds further economic uncertainty. Members of the Coalition acknowledge the potential risk of backsliding on our climate goals under pressure from current macroeconomic challenges, mounting public debt. In this context, the imperative of mainstreaming and increasing the internal capacity for climate change becomes even more pronounced. We welcome that, following the difficult period of Covid-19, Sherpas had the opportunity to organize an in-person meeting in Helsinki on 28-29 March 2023, after a three-year recess.

#### **Guide on strengthening the role of Ministries of Finance in driving climate action**

Ministers launched the Guide on Strengthening the Role of Ministries of Finance in Driving Climate Action (summary note to Ministers and policy-makers and full report are available on Coalition's website). Ministers underscored the usefulness of the Guide in helping Ministries of Finance look at the main options for mainstreaming climate into their core functions and capabilities. We especially greeted that the full report includes over 140 country examples with concrete case studies of climate action. Through the launch of the Guide, Ministers can raise awareness, and actively promote their governments and management to enhance Finance Ministries' role and mandate, as well as take concrete actions to mainstream climate change.

We welcomed the wide engagement of Coalition members, institutional partners, and stakeholders in the preparation of the Guide. It was shaped by nearly 30 Ministries of Finance and more than 30 experts and partners of the Coalition, with contributions from member countries and feedback from the private and non-governmental sectors. The Coalition expressed gratitude for Finland and Rwanda for leading the work as country leads of the Helsinki Principle 2 workstream; and for Grantham Research Institute on Climate

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<sup>1</sup> Based on [IMF GHG data](#)

Change and the Environment, LSE and Brookings Institution for acting as the coordinating institutional partners.

Moving forward, the Coalition has agreed to actively engage in supporting Coalition members to implement the Guide. We will especially rely on the exclusive network of institutional partners and active engagement of Sherpas who are integral to channelling knowhow and information about best practices to their own Ministries and Ministers of Finance. We welcome the existing or planned capacity building programmes that can support the Coalition members in applying the recommended actions laid out in the Guide. The Coalition will actively engage with its institutional partners, many development partners and academia engaged in these programmes to continue supporting taking action in line with the Helsinki Principles. The guide will be refined and updated over time, to ensure relevance.

Next steps for the Coalition will support its members to apply the choice of recommended actions from the Guide in a number of ways, especially by:

- i) Enhancing the awareness and recognition of the role of Ministers of Finance through an enhanced dialogue, regional workshops or country 'roadshows' with Ministers, Ministries of Finance management, staff and relevant partners.
- ii) Offering additional training and technical assistance programmes for Ministries of Finance, starting with the programmes offered or being designed by the Coalition's institutional partners, including the World Bank, IMF, NDC Partnership, WRI, UN agencies, MDBs, and others.
- iii) Developing knowledge and research networks to ensure high-quality analysis and research is available to Ministries of Finance, taking inspiration from similar networks.
- iv) Organizing global or regional discussions in areas of contestation to enhance consensus around the important role of Ministries of Finance in climate action.
- v) Receiving feedback from Ministers, key partners and stakeholders on how to utilize the role of Ministries of Finance and their engagement in global climate processes in the run-up to COP28 on climate and COP16 on biodiversity.

## Transition finance

The Coalition continues to view concerted and accelerated climate action as essential and underlines the need to move forward with the climate transition to net zero while striving to cushion the economic impact on the most vulnerable.

For this reason, we focused our attention on transition finance<sup>2</sup> – how to transition out of high carbon-emitting activities and fund the transition to decarbonization. We built our discussion on the capacity building work done by the Coalition on this topic in the last few years<sup>3</sup>, and discussed ideas for effective

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<sup>2</sup> Transition finance is a concept where financial services are provided to high carbon-emitting industries and activities – such as coal-fired power generation, steel, cement, chemical, paper making, aviation and construction – to fund the transition to decarbonization.

<sup>3</sup> See, among others, the Coalition paper [Supporting Private Sector Net Zero Targets](#), which examines the role of Ministries of Finance in supporting private sector net zero alignments, the recent [blog](#) on this topic as well as the HP5 [workshop on transition finance](#) examining Net Zero Data Public Utility.

financial sector policies, just transition, public financial management, and for sharing experiences with overcoming transition-related challenges.

We acknowledge that transition finance is an important tool for helping traditionally high-emitting sectors to transition to low-carbon production processes. A large amount of financing is required in carbon-intensive sectors that need to decarbonize and turn from “brown” to “green”. Despite the need, the global ecosystem for transition finance is not well established yet for a credible and just transition which should have, among others, a well-accepted definition of transition activities and investments, credible disclosure and reporting to avoid greenwashing, assessment on social and economic impacts, transition-related financial instruments, and policy design to support transition finance.

Considering a crucial role that Ministries of Finance play to incentivize transition finance and the need to speed up the transition, it is of particular importance that we examine the right tools at our disposal for setting credible net zero targets by the private sector and for monitoring progress. Governments, especially the Ministries of Finance, can play a bigger role in supporting private sector net zero alignments – using soft and regulatory power, from engagement and coordination with the private sector entities to the use of guidelines and regulations.

Reaching transition targets will require a comprehensive approach. Accordingly, our policy mix toward carbon neutrality and net zero greenhouse gas emissions should include a full range of fiscal, market, and regulatory mechanisms. Such tools may include, where appropriate, carbon pricing and public investments, interoperable taxonomies, prohibition or limitation of the use of polluting technologies, relevant environmental impact assessments, green procurement procedures, and ensuring countries have national sector pathways and national net zero commitments that are socially just to guide the private sector. Considering the cross-border nature of green transition-related issues, such as energy markets, the design of policies at the national level will benefit greatly from regional and international exchanges.

The private sector will play a central role in transition finance, and as such we need to continue to strengthen the enabling environment to further catalyze the involvement of our private sector partners. To this end, the development of a financial system able to support the whole-of-economy transition which is also resilient to climate and nature-related risks is crucial. Likewise, what we need is the coordinated and strategic involvement of international financial institutions, multilateral development banks, regulatory bodies, and other financial partners.

To leave no one behind, it is crucial to shape a transition in a way that is just, affordable, and inclusive, reducing socio-economic impacts and incentivizing effective and timely labor reallocation for workers transitioning out of high-emitting sectors. There is a need to expand on current initiatives for a just transition, such as those covering some key elements of country platforms<sup>4</sup>.

The Coalition continues to benefit from the technical expertise of its institutional partners, and from the daily support provided by the Secretariat, co-hosted by the World Bank and IMF. The Coalition welcomes enhanced collaboration with the OECD, G20, NGFS, ASEAN, GFANZ, ADB, WBG and IMF. The Coalition will

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<sup>4</sup> An example is the Just Energy Transition Partnership (JETP) in South Africa, which committed to decarbonize its coal-dependent electricity sector.

also foster collaboration with the private sector<sup>5</sup>, working on accessibility and comparability of transition finance data.

### **COP28 on Climate Change and COP16 on Biodiversity**

The Coalition welcomes the participation of COP28 chair UAE in the Ministerial meeting. Following a successful COP27 meeting in Sharm El-Sheikh in 2022, the Coalition welcomes the efforts of the UAE's UNFCCC COP Presidency to deepen the involvement of Finance Ministries in relevant discussions, as well as efforts to incorporate economic, fiscal, and financial matters in the design of global climate policies in a durable way.

We believe that achieving climate goals efficiently and effectively will require well-designed economic, fiscal, and financial policies and investments, as well as close collaboration with other Ministries—especially Ministries of Environment and Ministries of Development—and the further development of capabilities and analytical tools within our Ministries. The Coalition is well-placed to support the efforts of Finance Ministries to integrate climate priorities into economic policies and, more broadly, to support the climate efforts of our member countries as well as global efforts. We look forward to regular and deeper engagement in these discussions.

The Coalition has also enhanced efforts in deepening understanding and assess the relevance of nature-related agenda to the Ministries of Finance, in follow-up to the COP15 of the Convention on Biological Diversity in Montreal on December 14, 2022. The Coalition recognizes the importance of this work as showed by Report of the Coalition on economic, fiscal and financial risks of nature loss, and policy options for MoFs in managing nature-related risks<sup>6</sup> and inclusion of nature as a cross-cutting theme in 2023 work programme.

### **Improvements to governance**

Overall, we are pleased the Coalition is gaining momentum and increasing its membership. To keep pace with this growth, it will be important to further develop governance structures, as well as our capacity to act efficiently. We welcome the work initiated by Sherpas in Helsinki to deepen the engagement of institutional partners, steering of the work, and strengthening the Secretariat functions. We are grateful to the World Bank and the IMF for the plans to develop the Coalition's Secretariat functions and staffing further, look forward to their determined implementation, and welcome enhanced engagement of the institutional partners in the Coalition's work.

### **Way forward**

The Co-Chairs of the Coalition ask the Secretariat in cooperation with the partners to continue work on the two main topic of the Ministerial, following the guidance provided by the members. That entails supporting the members with the capacity challenges and taking forward the transition discussion in the Coalition working group.

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<sup>5</sup> Possibly Bloomberg LP, London Stock Exchange Group (LSEG), Moody's, Morningstar, MSCI Inc., S&P Global, among others.

<sup>6</sup> See Coalition's report [An Overview of Nature-Related Risks and Potential Policy Actions for Ministries of Finance: Bending The Curve of Nature Loss](#) (June 2022)