Input from the EU and its MS to the FfD4 Elements Paper, 15 October 2024

I. A global financing framework (including cross-cutting issues)[1]

1. The European Union (EU) recognises the **pressing need for financial support** to achieve the Sustainable Development Goals (SDGs), implement the Addis Ababa Action Agenda (AAAA), the 2030 Agenda and the Paris Agreement.

2. We urge all parties to keep their commitments towards financing sustainable development, the reduction and eventual eradication of **poverty and hunger**. We must address **inequalities and their causes** among and within countries and **leave no one behind,** addressing the needs of those furthest behind first. We must stay committed to **gender equality** and the empowerment of all women and girls, and meaningful **youth** involvement.

3. The **Global Gateway** is the EU's joint offer to partner countries around the world to accelerate their sustainable development and their inclusive and just green and digital transitions. It aims to mobilise up to EUR 300 billion public and private funding by 2027 to support infrastructure investments in the digital, climate and energy, transport, health, education and research sectors. The EU wants to create long-term, mutually beneficial partnerships by proposing an integrated offer to partner countries.

4. The **economic, social and environmental dimensions** of sustainable development are interdependent, and inextricably linked to peace and human rights. Preserving our planet must be at the core of our efforts. All financing must be scaled up to address the triple planetary crisis of climate change, biodiversity loss and pollution. FfD must reflect a unified vision across the humanitarian, development and peace nexus, including conflict prevention and disaster risk reduction.

5. **Democracy, good governance and the rule of law** are essential for sustainable development. An inclusive and whole-of-government approach is needed and the role of sub-national levels of government in achieving the SDGs should be further highlighted.

[1] Disclaimer: Throughout this document the use of 'EU 'does not prejudge whether the competence lies with 'EU', the 'EU and its Member States' or exclusively with 'Member States'. The current document equally does not prejudge the European Commission proposal for the next multiannual financial framework.

6. We need strong **multilateral institutions** that can deliver a better future for people and the planet. The recently adopted Pact for the Future will be a cornerstone of further strengthening trust in the multilateral system and making it fit for the challenges of today's world.

7. The EU welcomes the ongoing **reform of the international financial architecture** to make it fit for purpose, deliver more financing, address global challenges and maintain economic and financial stability. We will build on progress i.a. from the Summit for a New Global Financing Pact and welcome the follow-up of the **Paris Pact for People and the Planet.**

8. Cohesive, **nationally owned sustainable development strategies**, supported by **Integrated National Financing Frameworks (INFFs)** and **Nationally Determined Contributions** are essential for aligning all financial flows and policies with SDGs and the Paris Agreement. Financial architectures at national and international level should be mutually reinforcing.

9. The FfD4 process must be **inclusive and holistic**. All stakeholders, especially civil society, must be able to participate meaningfully. It is essential to ensure coherence, complementarity and synergy with other ongoing discussions and not pre-empt or undermine other decision-making processes in relevant institutions within or outside the UN.

10. The **FfD4 Conference** must accelerate mobilisation of finance for the SDGs, considering current and emerging issues, and new practices in FfD. Working in a Team Europe approach the EU and its Member States reaffirm our commitment to FfD.

II. Action areas

a. Domestic public resources

11. Domestic resources remain the most predictable and sustainable source of FfD and are crucial for increasing countries' resilience to external shocks and debt distress. We support international efforts to help countries enhance domestic revenue mobilisation (DRM) and encourage more partners to contribute to these efforts. As a member of the Addis Tax Initiative Post-2025 Task Force, we will strive for ambitious commitments beyond 2025 on key policy reforms, institutional strengthening and capacity reinforcement, to put in place or enhance fair and efficient taxation systems. We remain committed to the ongoing work of the OECD/G20 Inclusive Framework,

which seeks to reform the international tax system, including a two-pillar solution and a growing membership of tax jurisdictions with global benefits. We also reaffirm our commitment to facilitate an inclusive, efficient and effective process at the UN level.

12. We need to enhance international cooperation on the **fight against illicit financial flows,** including through joint actions such as the Team Europe Initiative to Fight Illicit Financial Flows and related Transnational Organised Crime in Africa, where the European Commission and four EUMS work with the AU Commission and numerous African stakeholders.

13. We support the strengthening of regulatory frameworks and enforcement mechanisms to **combat tax evasion, corruption, terrorism financing and money laundering.** It is important to continue developing global standards and initiatives such as the Global Forum on Transparency and Exchange of Information for Tax Purposes. Greater efforts should be made to ensure full compliance with domestic tax obligations, including by multinational companies.

14. **More efficient and effective public finance management systems are needed** to provide essential public services such as education, health, social protection or basic infrastructure. A competitive, transparent and accountable **public procurement system** is crucial for the quality and value-for-money of public investments and for local private sector development. **Budget credibility and predictability**, transparent budget preparation and execution, effective **internal control and external scrutiny** are essential to foster investor confidence. Capacity-building in partner countries must be supported through a comprehensive approach to public finance, covering both revenue and expenditure.

15. Fiscal policies and public financial management instruments are powerful tools to reduce poverty and advance the SDGs. Well-designed sustainable **tax reforms and stronger, digitalised tax administrations** can boost economic growth and contribute to a fairer society and to a just transition. **Gender-responsive budgeting and tax reforms** are important to promote gender equality and economic empowerment of women. Taking into account domestic priorities and capacities, we encourage further use of **green budgeting and taxation policies** to encourage sustainable investments. Environmental taxes at national level are under-exploited and can help address environmental challenges, while encouraging sustainable consumption and production, generating revenues (including from a fair price on carbon), and creating a level-playing field for

companies and countries. We support ongoing reflections to identify possible **global solidarity levies.**

b. Domestic and international private business and finance

16. Private financial flows are the largest and most critical source of financing to achieve our common goals. Incentivising, mobilising and scaling up private finance complementing public domestic, bilateral and multilateral resources is essential to achieve the SDGs. We need to align private finance with sustainable development priorities. We will work further to assess the potential of and possible bottlenecks to scaling up the instruments aimed at mobilising private capital (e.g. blended finance, risk-sharing mechanisms and guarantees) by Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs).

17. Creating **stable investment climates to enable sustainable investments** requires collaboration between governments, businesses and the financial sector. The international community must actively engage in inclusive partnerships that bring together national governments, Development Financial Institutions (DFIs), national and multilateral organisations, and the private businesses and the financial sector. A conducive investment climate attracts international investors and supports the local MSME ecosystem and its access to finance, vital for the creation of jobs and decent working conditions.

18. National governments should ensure **macroeconomic stability policies** and **stable and transparent legislative and regulatory frameworks** that provide certainty to economic actors. The international community could help assess unjustified obstacles to private investment.

19. We emphasize the need to promote **decent employment with social protection**, in accordance with international standards, and aiming to reduce social exclusion and broaden the financing base for social protection. Fostering **human capital** to improve productivity and investing in education and training to match skills to jobs is critical.

20. The EU supports continuous dialogue between MDBs, private investors, governments and credit rating agencies to further increase transparency of **risk assessments** in low- and middle- income countries (LMICs). Further, the EU can help LMICs enhance their own capacities for their dialogue with credit rating agencies. We encourage continuation of the work on Global Emerging Markets

risk database showing credit performance for sovereign and private sectors to help investors better assess investment risks.

21. **Sustainable and responsible corporate behaviour** is crucial. We encourage implementation and accompanying measures on business and human rights and responsible business conduct, including due diligence requirements for companies to identify and mitigate their adverse human rights and environmental impacts and remedy mechanisms for victims of human rights violations.

22. Credible **sustainable finance frameworks** are key to facilitate private capital flows to sustainable investments, providing clarity on what can considered as ‘sustainable’, reducing risks and catalysing investment. These include taxonomies for sustainable economic activities, sustainability-related disclosure requirements, building on the global baseline of the International Sustainability Standards Board, and green and sustainability bond standards. Coordination and interoperability between sustainable finance frameworks across the world is crucial. The EU is committed to sharing its experience in designing credible and coherent sustainable finance frameworks with LMICs through capacity building and technical assistance.

23. We encourage the international community to engage in **risk-sharing initiatives** to scale up sustainable investments. Enhanced coordination between DFIs and IFIs is key effective results, increased leverage and impact. With instruments such as the **European Fund for Sustainable Development Plus (EFSD+),** the EU offers guarantees and blending instruments through DFIs to catalyse private capital, particularly into underserved target groups. These instruments work best combined with sectoral analyses, debt monitoring, and in coherence with other measures, international and local actors. It is necessary to ensure compliance with OECD principles for Official Development Assistance (ODA) and OECD Blending Principles, regarding key principles of market non-disturbance/distortion, and financial additionality.

24. To reach scale and impact, the EU promotes **innovative financial instruments and structures**, such as use-of-proceeds green and sustainability bonds, and public-private investment vehicles, bringing together multiple actors including institutional investors, to create synergies. An example is the upcoming **Global Green Bond Initiative** that gathers a coalition of EU and international partners for the development of local green bond markets in LMICs. It will support sovereign, sub-

sovereign and corporate issuers to raise funding for their environmentally-sustainable investment projects through green bonds.

25. We support efforts in domestic **carbon pricing** and carbon market instruments and international compliance markets to curb emissions, incentivise innovation, and generate resources that can be re-invested in climate action.

26. Innovative instruments must be accompanied by **technical assistance and capacity building** to ensure that countries can advance with pioneering approaches and to address the lack of investment-ready projects and/or unclear regulations. Capacity-building is important in all stages of project preparation, including generating economically viable, just and sustainable project pipelines.

27. **Foreign exchange risk and high hedging costs** are barriers to the flow of international capital to LMICs to finance sustainable development. The EU is supporting initiatives on currency hedging and calls for the international community to find efficient solutions to address this barrier at a greater scale. The EU promotes local currency sustainable finance instruments and vehicles in LMICs, such as the Africa Local Currency Bond Fund. We aim to contribute to the development of local currency capital markets wherever possible.

28. The EU will explore options to enhance the contribution of **remittances** to sustainable development. We will further aim to promote formal channelling of remittances for development purposes, reducing its cost.

c. International development cooperation

29. **ODA** remains a major source of financing for development, in particular for the poorest, fragile and conflict-affected countries, and plays a key catalytic role in international partnerships to support the implementation of the 2030 Agenda and leverage other public and private sources of financing for sustainable development. We recall the collective commitment to achieve 0.7% of GNI as a target. More countries that have the capacity to do so should urgently join this promise. We must strive for more efficiency and effectiveness in terms of development results and impact. We must make better use of ODA catalyzing other financing, while ensuring debt sustainability.

30. Optimising the use and availability of **concessional finance** to support vulnerable partners, including some middle-income countries, remains crucial, including with a clear allocation framework and without risking availability for the poorest countries or Least Developed Countries (LDCs).

31. We need **stronger international partnerships**, including between IFIs, UN Agencies and bilateral donors, in fragile and conflict-affected settings. ODA is critical to preventing and mitigating crises by focusing on resilience, preparedness, and anticipatory approaches to address both immediate needs and root causes.

32. **Development effectiveness**, **policy coherence** for development, **human rights-based approach** to development, **good governance**, **enabling environments**, and **metrics of progress** on sustainable development that go beyond gross domestic product are fundamentally important.

33. The EU supports further strengthening of the exchange of **best practices**, technical assistance and knowledge sharing, including though triangular, South-South and North-South cooperation.

d. International trade as an engine for development

34. A **rules-based multilateral trade order** and integration into global trade and supply chains is a crucial element of sustainable development. A stable, fair, secure, inclusive, transparent and predictable multilateral trading system, with the World Trade Organization (WTO) as its core, is essential in the current global geopolitical shifts.

35. The EU strongly encourages **mainstreaming trade into development policies as well as sustained investment,** including in infrastructure and digital connectivity, as tools that can diversify production, increase value added, and facilitate entry into international value chains, that will create decent jobs and income and alleviate poverty. Countries should ensure domestic reforms that create a favourable environment for trade and investment. Sustainable and high value-added exports of goods and services from developing countries, in particular LDCs, to developed countries and emerging markets should be supported. Value addition should increasingly take place at the source to enable developing countries to benefit more from global value chains.

36. The EU provides trade instruments to support integration into the world economy, reduce poverty, and support sustainable development, for example by providing tiered **preferential market access** through the EU Generalised Scheme of Preferences, its Economic Partnership Agreements and its bilateral trade agreements.

37. The EU is the largest provider of **Aid for Trade**, including both investments in infrastructure and productive capacity through its Global Gateway offer and support to soft measures to improve trade and investment conditions.

38. **LDCs**, especially in Africa, remain persistently marginalised in global value chains and world exports. The international community must continue to support LDCs in harnessing the potential of international trade for sustainable development.

39. The EU will support implementation of the WTO **Agreement on Investment Facilitation for Development** and strongly supports **regional trade integration,** especially in Africa, Latin America and the Caribbean.

40. Investments in digital trade, women's economic empowerment, trade in green products and services, addressing the challenges of MSMEs and commitments on trade and decent work carry great potential to increase the integration of developing countries into sustainable global value chains and support their economic transformation.

e. Debt and debt sustainability

41. We remain concerned by **global debt challenges and vulnerabilities**. Debt risks in LMICs remain elevated, and high interest payments and difficulties to refinance external debt continue to constrain investment needed to reach the SDGs and address climate change. While sound macro-fiscal policies and reforms, including DRM are fundamental to strengthening long-term fiscal sustainability and ensuring the necessary fiscal latitude for investment, vulnerable countries also need support to prevent debt crises, and – for those with unsustainable debt –effective frameworks and mechanisms to resolve it.

42. We welcome joint efforts by all stakeholders including public and private creditors to continue addressing debt vulnerabilities with a focus on improving **debt transparency**.

43. The EU firmly believes that **sound public debt management**, building on stability-oriented macroeconomic policies and reforms, is critical in managing elevated debt risks and increasingly complex debt instruments. We will continue to support multilateral and bilateral initiatives aimed at strengthening debt management capacity such as the World Bank / IMF Debt Management Facility and UNCTAD's Debt Management and Financial Analysis System Program. Furthermore, the EU has been a long-term supporter of improved debt data reporting and monitoring in its partner countries – including by disclosing detailed information about official loans.

44. The EU welcomes the meaningful progress on individual country cases under the **G20 Common and Paris Club Framework for debt treatment** (CF), which shows that the Common Framework works. We support ongoing discussions at G20 to step up and improve the CF implementation, making it clearer and more predictable for borrowing countries and enhancing comparability of treatment. We also support the extension of the CF to middle-income countries in debt distress.

45. We welcome the work of the **Global Sovereign Debt Roundtable,** as well as the Paris Forum and other engagements of the G20 with debtor countries. These seek to establish more clarity and coherence in the international debt architecture by promoting a greater common understanding among a wide range of stakeholders on critical issues: comparability of treatment, domestic debt restructuring, State-contingent debt instruments, etc.

46. For situations where countries face **liquidity pressures but debt is still sustainable**, we support ongoing work by the G20, the IMF and the World Bank to support countries based on three pillars i) structural reforms and DRM; ii) external financial support, including from IFIs; and iii) better coordination among bilateral and multilateral partners to mobilise lending from private creditors.

47. The intensity of the climate crisis calls for fostering the development of **climate-responsive debt instruments**. Indeed, debt vulnerabilities are increasingly connected and the negative effects of climate change aggravate sovereign debt challenges, calling for innovative financial approaches. In this regard, the EU welcomes the ongoing review of the IMF/World Bank Low-income Countries Debt Sustainability Framework to take better account of climate vulnerabilities. Finally, the EU

believes that innovative instruments can reduce debt vulnerabilities if used in the right context and with the view to minimising transaction costs. Therefore, we support the development and use of **Climate Resilient Debt Clauses** on a voluntary and case-by-case basis, as they provide temporary debt relief to countries hit by natural disasters.

f. Addressing systemic issues

48. The challenges faced require close collaboration among all multilateral partners and stakeholders to ensure a **fairer international financing architecture (IFA) that is fit for purpose** to help eradicate poverty, address the triple planetary crisis and other global challenges and, accelerate progress towards the SDGs. The EU welcomes and supports the ongoing discussions on the reform of IFA and is committed to continuing to play a constructive role.

49. We acknowledge the importance of enhancing the **representation and voice of developing countries** in decision-making in international economic and financial institutions to deliver more effective, credible, accountable, and legitimate institutions. We welcome the decision to create a 25th chair at the IMF Executive Board to enhance the voice and representation of Sub-Saharan Africa. We underscore the importance of improving diversity and gender balance in the executive boards, senior management and staff positions.

50. Good progress has been achieved to move towards **better, bigger and more effective MDBs** systems addressing development and global challenges and maximising development impact, in particular through operational reforms and the implementation of the recommendations of the **G20 Capital Adequacy Frameworks (CAF) review.** Effective implementation of already identified CAF measures has the potential to unlock up to USD 357 billion in additional lending headroom to be deployed by MDBs in the coming decade.

51. The EU welcomes the progress made on balance sheet optimization measures while protecting long-term financial sustainability, safeguarding high and robust credit ratings and preferred creditor treatment. We appreciate the steps MDBs are taking to become faster, simpler and more client

focused and call on MDBs to increase focus on addressing capacity constraints. Success of the system should be measured not in flows or disbursement but in development results and impact.

52. We call on MDBs to mobilise additional financial resources to better address global issues such as biodiversity loss and climate change, both mitigation and adaptation, aligning their activities with the Global Biodiversity Framework and the Paris Agreement.

53. Optimizing the use and availability of **concessional finance** to support vulnerable partners, including vulnerable middle-income countries, remains crucial. All the while, the poorest countries must remain our priority and a robust IDA21 replenishment will be instrumental.

54. **MDBs must work more effectively as a system**. The recent work of MDBs' Viewpoint Note was a valuable contribution for the forthcoming G20 Roadmap for better, bigger and more effective MDBs and to FFD4. We encourage closer cooperation with **other multilateral organisations and with national public development banks** including through the Finance in Common initiative.

55. We encourage MDBs to find synergies around **country-owned platforms** to strengthen collaboration and co-financing, as well as with **INFFs**. MDBs must engage more systematically with the **private sector**, including by sharing data, supporting enabling conditions and developing risk-sharing innovative tools to enhance private resources mobilisation.

56. The EU welcomes that the international community has **exceeded the USD 100 billion global ambition of voluntary contributions** in Special Drawing Rights (or other equivalent) from advanced to vulnerable countries set by G20 in 2021. We must expedite the disbursement of the pledges already made and ensure the pledged resources are channelled to the countries in need. EU MS pledged around USD 37 billion and are leading the way in transferring the resources to the IMF Trusts.

57. We welcome the IMF for its review of its charges and **surcharge policy** to help alleviate the financial burden on borrowing countries while preserving their incentive functions and safeguarding the Fund's financial soundness.

g. Science, technology, innovation and capacity building

58. **Digitalisation** drives innovation and productivity and can enable sustainable development and mobilisation of finance. We support continuing global efforts to achieve universal and meaningful digital connectivity targets for 2030, key for enabling digital transformation and ensuring safe and affordable access to the Internet for all, including through innovative financing and incentives. The EU calls for full implementation of the Global Digital Compact, including closing the digital divides, which requires public, private and multilateral resources and close multi-stakeholder cooperation. **Leveraging private sector resources for digital investments** will help maximise the impact of investments.

59. We encourage countries to develop robust S**cience, Technology, and Innovation (STI) strategies** aligned with SDGs. We must collaborate to bridge the STI gap within and between countries, as well as bridging the digital gender gap. The STI for SDGs Roadmaps helps identify high-impact investment opportunities, offering guidance for targeted support that meets local needs.

60. The EU calls for support to countries to advance their **digital transition** to progress towards the SDGs. We encourage a human-centric approach to digitalisation, through trusted, secure, and green technologies as well as digital and data policy frameworks that adhere to high standards and principles of human rights, democracy, good governance and rule of law.

61. The EU is supporting partners' digital policies and regulatory frameworks and investing in digital services, digital skills, innovation, data centres, last-mile networks and submarine cables. Human capital, capacity building and voluntary technology transfers on mutually agreed terms enable just, inclusive and equitable transitions. The EU is committed to offer support also through technical assistance, budget support, decentralized cooperation, TAIEX and Twinning.

62. The EU supports **science-policy panels**[2] as important tools to provide the latest science and evidence to help policymakers address global crises, including climate change, biodiversity loss and pollution.

i. Data, monitoring and follow-up

63. A holistic approach to **monitoring and follow up** is important to ensure alignment and synergy with SDG monitoring and follow up. We emphasise the value of the SDG Indicator Framework and of the monitoring framework of the Global Partnership for Effective Development Cooperation.

64. We encourage countries to prioritise the collection of **high-quality and reliable data** for sustainable development. Accurate and disaggregated data, including sex-disaggregated data and gender statistics, is essential for policymaking, to monitor progress towards the SDGs and to ensure that projects and activities are inclusive to all segments of society.

65. We encourage the use of data on **ODA and Total Official Support for Sustainable Development (TOSSD**). The EU encourages countries to take ownership over the comprehensive TOSSD data framework aligned with SDG indicator 17.3.1 to monitor resources supporting sustainable development worldwide.

66. We appreciate the work of the IATF in the follow-up and monitoring of the AAAA and support an assessment of the strengths and weaknesses of its model and potential recommendations by all stakeholders.

[2] Such as the Intergovernmental Panel on Climate Change, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, the International Resource Panel and the Science-Policy Panel on Chemicals, Waste and to Combat Pollution.