Courtesy translation

France is mobilized to achieve progress in development financing, so that no country has to choose between fighting poverty and preserving the planet: the mobilization of domestic resources; the ability of international financial institutions (IFIs) to drive development by aligning their financial flows, reviewing their governance, increasing their financial capacities, and optimizing the use of concessional resources; the mobilization of private financing; debt sustainability and the promotion of common principles for all creditor and debtor countries; the implementation of measurement indicators adapted to the growing diversification of development financing instruments and reflecting a broader vision of international solidarity, beyond the concept of development aid alone. These priorities must be implemented with due respect for democratic governance, human rights, the full political and civic participation of young people, gender equality and the universal rights of women and girls.

I. A global financing framework

1. France attaches great importance to the United Nations Agenda for Improving the Financing of Sustainable Development. Access to diversified, sufficient and sustainable sources of financing is essential to achieving the Sustainable Development Goals (SDGs) and realizing the objectives set out in the Addis Ababa Action Agenda, the 2030 Agenda, the 2015 Paris Agreement, in the Kunming-Montreal Global Biodiversity Framework.

2. France is committed at the highest level to achieving these goals, through its participation in the “SDG Stimulus Leaders' group”, and supports the measures proposed by the Pact for the Future that we are collectively committed to implementing.

3. To respond to the triple environmental crisis, a shock of public and private funding is needed. All countries that have the capacity and responsibility to do so must support developing countries and the most vulnerable in coping with this crisis.

4. The strengthening of the democratic and functional components of the state, as well as the implementation of human rights and gender equality, are essential to ensure aid effectiveness.

5. In this context, the 4^{th} International Conference on Financing for Development must be the occasion for a collective review of the Addis Ababa Roadmap, with a view to adopting a renewed global framework for financing sustainable development; it is also essential to convey our vision of inclusive and equitable development in line with the Paris Pact for People and the Planet (4P). This means ensuring that the voices of emerging and developing countries are heard, and that resources reach those who need them most, particularly low-income and vulnerable countries.

6. France reiterates its commitment to the principles of rules-based multilateralism, in which international financial institutions play an essential role. France maintains its ambition to combat the risks of fragmentation of the international financial architecture.

7. A great deal of progress has been made since the 3^{rd} Addis Ababa Conference. Multilateral development banks have embarked on a profound reform process. The debt treatment framework has improved, with the introduction of the G20-Paris Club Common Framework and its steady progress since 2022. Finally, the mobilization of Special Drawing Rights (SDRs) in favor of the most vulnerable countries and other new financing mechanisms (CRDCs: Climate resilient debt clauses) have marked significant progress.

II. Areas of action

a. Domestic public resources

8 . Developing economies face major challenges. They have to make major investments to achieve the SDGs and cope with climate change, while their budgetary room for maneuver has been hampered by multiple crises. Emerging market economies and low-income and developing countries need annual financing estimated by the IMF at between $3,000 and $4,000 billion to achieve the SDGs, the climate transition and the full range of development challenges up to at least 2030. Only a combination of financing sources can meet these needs, in an environment conducive to ensuring that every dollar invested has the greatest impact in terms of sustainable development.

9. As a fundamental pillar of state financing, sufficient, equitable, efficient and stable tax collection and Domestic public resource mobilization (DRM) play a key role in building strong state institutions and strengthening the capacity of public authorities to meet the needs of the population for public services and investment, while reducing financial risks and encouraging institutional accountability.

10. DRM requires a clear regulatory, fiscal and institutional framework adapted to local contexts, which must go hand in hand with a strong commitment and involvement on the part of national political authorities, and an anti-corruption policy. Technical assistance is an essential component in developing countries' efforts to improve DRM, to strengthen tax reforms and the capacity of tax administrations to design, collect and use tax resources. Gender-responsive budgeting is also a key focus for France in its public finance reform cooperation projects.

11. France will continue to support ambitious DRM technical assistance initiatives, and calls on all its partners to do likewise. Support for the joint IMF-World Bank initiative on Domestic Resource Mobilization is a priority, which should be accompanied by the systematic integration of realistic targets into the reform programs of countries supported by the IMF and the World Bank, the establishment of a specific technical assistance window for vulnerable and conflict-affected countries, and the strengthening of the role of national parliaments. France also supports the essential role of the International Development Association in strengthening the capacity of low-income countries to mobilize domestic public resources.

12. Strengthening international tax cooperation must also be a priority, in order to release the necessary additional funding and ensure that all players contribute their fair share to global efforts. If the discussions initiated at the United Nations are to bear fruit, they will have to be conducted in a spirit of constant consensus and complementarity with existing frameworks.

13. We encourage the international community to implement the agreements concerning Pillars I and II of the international tax system, key components of the DRM. Significant progress on Pillar II must now be accompanied by a deepening and acceleration of technical assistance programs.

14. We welcome the proposal of the Brazilian presidency of the G20 to work towards international cooperation on the taxation of the wealthiest, and stand ready to pursue these discussions.

15. We invite countries to join the Global Solidarity Levies TaskForce (GSL TF), which aims to identify options for international tax instruments for climate and development, build political coalitions around each of these options, and present them at COP30 in Belém with a credible timetable for implementation.

b. International development cooperation

16. To successfully meet global and development challenges, mobilizing public funding as well as optimizing it is essential. Progress has been made in this area since 2015, driven in particular by “Finance in Common” and with the ongoing reform for better, bigger and more efficient multilateral development banks (MDBs). We encourage the international community to continue to encourage MDBs to implement these various reforms, to work as a system among themselves and with national and regional development banks.

17. The use of capital optimization measures and innovative instruments to finance the response to global challenges through shareholder contributions of hybrid capital or portfolio guarantees should free up $357 billion of additional financing capacity over the next ten years.

18. MDBs and bilateral agencies need to scale up to meet global challenges. We support the G20 initiative to encourage MDBs to conduct regular reviews of the alignment of their resources with their strategies to support countries in achieving the SDGs, on the basis of which each MDB's governance bodies can assess the need for additional resources, including capital increases where these would be required.

19. Concessional financing, being limited, must be prioritized for the poorest and most vulnerable countries, and used in the most optimized way possible. France encourages MDBs to establish clear allocation frameworks to support middle- and low-income countries in their response to global challenges, and to broaden the base of traditional donors to multilateral concessional windows.

20. We must also transform the governance of the international financial architecture to make it more efficient, more equitable and better adapted to today's world. We encourage the strenghtening of representation for emerging and developing countries within international financial institutions. This must go hand in hand with greater accountability regarding financial contributions for development and the fight against global warming, and greater participation in multilateral frameworks and bodies. France also supports work to strengthen geographical diversity and gender representation on boards of directors, among managers and among staff.

21. France supports the IMF's work on reviewing charges and surcharges to lighten the financial burden on borrowing countries, while preserving their incentive functions and safeguarding the Fund's financial soundness.

22. France supported the general allocation of SDRs in 2021 following the pandemic, and the mobilization of SDRs in favor of countries most in need. France welcomes the overachievement of the $100bn SDR target mobilized in favor of the most vulnerable countries at the Paris Summit for a New Global Financial Pact in June 2023. France has kept its commitment to mobilize 40% of SDRs and encourages countries to do the same, including via multilateral development banks.

c. National and international business and private finance

23. Despite recent significant progress in sustainable finance, there is a need to further increase the mobilization of private capital flows to achieve the SDGs and address global challenges.

24. The mobilization of the private sector cannot be achieved without transparent and stable legislative and regulatory frameworks for foreign investors. We suggest that the international community continues to work on all potential obstacles, both international and national, faced by private investors in non-OECD countries. Within the framework of the 4P, France is committed to

sharing its experience in discussions with private investors, regulators and rating agencies to make progress on these issues.

25. International financial institutions (IFIs) must also put themselves in a position to mobilize more private financing. In particular, we encourage:

- more in-depth and continuous dialogue between IFIs, national governments and private companies, rating agencies and the financial sector.
- country platforms that are able to play a key role, notably in implementing ambitious climate and environmental strategies at the national level, with the support of MDBs, as well as implementing partnerships for a just energy transition.
- the international community to engage in more risk-sharing initiatives offering a wider choice of risk-return couples to private investment, and on a larger scale. The development of equity financing and guarantees should be pursued as a priority.
- international financial institutions to continue to take greater account of exchange-rate risk by extending their offer of local-currency financing, and by supporting the development of local capital markets and hedging instruments.
- international financial institutions to make greater use of capacity-building for project promoters, by increasing their support programs for project preparation and placing particular emphasis on the structuring of clear and transparent project pipelines, backed by medium-term strategies designed and owned by governments. The judicious use of concessionality on these project preparation elements may prove more effective and differentiating than in the subsidization of financing conditions.

26. Through the implementation of the Global Gateway strategy for financing sustainable, high-quality infrastructure in its partner countries, “Team Europe” offers an example of an integrated, collaborative approach to the joint mobilization of public and private resources for development. The strategy, based on close cooperation between the financial institutions of the Member States, the European Commission, the EIB and the EBRD, includes both risk-hedging financing tools such as guarantees, and support measures to improve the business environment and strengthen human capital, thereby encouraging a surge in private investment in developing countries.

d. <u>Debt and debt sustainability</u>

27. The logic of the Addis Ababa Action Agenda regarding sovereign debt is still relevant. Recourse to borrowing is essential to finance the amount of investment required to achieve the SDGs. However, sovereign debt must be managed in a reasonable and sustainable manner. This responsibility lies first and foremost with the borrowing country, as part of a viable borrowing policy, a responsibility shared with creditors. To this end, borrowing countries and creditors must rely on the recommendations formulated at international level by all relevant bodies (IMF, WB, G20, IIF etc.) as well as on robust domestic policies and internal rules, if necessary, by promoting dialogue between these institutions to define a common base.

28. Sustainable sovereign indebtedness covers a wide range of issues that go beyond lending policies: efficient and prudent management of public finances; mobilization of domestic resources; strengthening of governance and transparency; ability to have a stable macroeconomic framework and to implement reforms in order to attract private investors in sovereign bonds, at rates in line with the country's fundamentals, and so on. All multilateral and bilateral initiatives aimed at building capacity in this area must be supported. At present, vulnerabilities linked to sovereign debt are high in

certain developing countries, which form a very heterogeneous group. The heterogeneity of situations calls for debt vulnerabilities to be prevented and addressed on a case-by-case basis.

29. With the rise in importance of private creditors and emerging public creditors who are not members of the Paris Club, the international architecture for resolving debt crises has been renewed to promote coordination and increase efficiency, with the introduction of the Debt Service Suspension Initiative (DSSI), followed by the "Common Framework for Debt Treatment Beyond the DSSI" between Paris Club and G20 non-Paris Club creditors. The Common Framework is also based on shared principles of action, notably that of debt sustainability. After a gradual start, the Common Framework has enabled the disbursement of funds linked to the IMF program, and progress has been made since 2023 (Ghana, Ethiopia, Zambia). Compliance with the principle of comparability of treatment ensures that the efforts made by public creditors (and therefore by their taxpayers) leave the beneficiary country sufficient room for maneuver in relation to its debt reduction target. The current architecture is designed to give third-party creditors (especially private ones) a strong incentive to respect the principle of comparability, and thus to participate in the same way as bilateral creditors in restoring the debt sustainability of the countries concerned.

30. The challenge now is to consolidate the results achieved by the Common Framework in order to improve speed and predictability for debtors. The avenues identified in the G20 note on lessons learned from the Common Framework should be explored in greater depth: streamlining or speeding up internal procedures for approving treatments by public creditors, clarifying the main stages of the restructuring process and the actions to be taken by the various parties, greater transparency on the part of public creditors on the progress of negotiations and other non-confidential information, regular exchanges of information between creditors, efforts by creditors to make debt data transparent. France is in favor of extending the Common Framework to countries that are not currently eligible (mainly middle-income countries), but whose situation requires original modes of coordination with the broadest possible committees of bilateral creditors.

31. The short-term financing or refinancing situation is currently problematic for certain countries facing liquidity difficulties. The debt of these countries is viable in the medium term, but this situation is fragile as they face high repayments in the short term due to the lack of new financing available on affordable terms in the current international economic and financial environment - even if the fall in international interest rates is likely to ease these pressures. France supports the emergence of a new initiative based on : (i) a greater effort by borrowing countries to mobilize domestic resources and structural reforms to achieve the SDGs; (ii) additional technical and financial support from the IFIs; (iii) better coordination of bilateral and private public creditors for increased financing. To foster the emergence of this new initiative, France proposes to focus on two aspects: (i) on how to build trust between bilateral donors and private players by developing platforms of bilateral donors to facilitate information sharing and coordination for the granting of new financing alongside the international financial institutions. (ii) Secondly, to encourage private creditors to participate in this effort, we need to work on a common doctrine for the use of risk-sharing and credit enhancement tools at multilateral and bilateral levels.

32. Transparency of debt data is essential to ensure the sustainability of sovereign debt. It improves the assessment and prevention of credit risk - and thus supports access to sustainable financing on affordable terms. While the primary responsibility lies with borrowing countries, creditors also have a major role to play, given the more complex financial tools, the development of confidentiality clauses and the lack of capacity in the most fragile countries. By publishing highly detailed data on a voluntary basis, Paris Club creditors promote transparency. Transparency on the part of all creditors, including

emerging and private creditors, is in the common interest of the international community and should be strongly encouraged.

33. As lender of last resort and trusted third party, the IMF and the World Bank play a fundamental role in the international financial architecture for sovereign debt. Their analyses are key to assessing the viability of countries' debt, and must be consolidated. As a shareholder, France is calling for the institutions to adopt a more participatory approach, consulting more with other stakeholders while maintaining their independence.

34. The increasing number of natural disasters represents a major challenge for countries with limited budgetary leeway. There is a need to strengthen and systematize the use of contractual clauses in sovereign loans to make them more resilient to climate risks (*Climate Resilient Debt Clauses* - CRDC). For this contractual innovation to reach critical mass and provide significant budgetary leeway when a country is hit by a severe exogenous shock, it needs to be introduced systematically, by all lenders and issuers. In addition, the use of *debt buy-backs* associated with *debt-for-nature* or *debt-for-climate swaps* is another innovation with interesting potential, in certain specific contexts.

35. Since Addis Ababa, Collective Action Clauses (CACs), which allow financial terms to be modified by a qualified majority rather than unanimously, have become widely used in sovereign bonds. These new clauses, which encourage orderly restructuring and sharply limit non-cooperative behavior, could now be extended to syndicated commercial loans in the form of Majority Voting Provisions (MVP).

36. The challenge of developing domestic financial markets to finance budget deficits, while ensuring the viability of domestic debts and the financial stability of local commercial banks, is becoming increasingly acute. As the repercussions of domestic restructuring are potentially systemic (particularly on the financial system), France is calling for specific programs to be set up to strengthen the skills of developing countries, and for a common body of knowledge to be developed, drawing on past experiences.

37. The Paris Club is committed to improving the international financial architecture for preventing and resolving debt crises. It strives to foster the emergence of a common understanding between creditors (within and beyond the Paris Club), borrowing countries and all other stakeholders.

38. Dialogue and a clear understanding of debt issues are essential to better understand country situations, to explain and improve debt restructuring processes, and to anticipate possible future difficulties. An annual dialogue could be set up between the Paris Club, other official creditors and the UN, with the IMF and World Bank also invited. This would be one way of creating a regular dialogue between finance ministries and the UN.

e. Science, technology, innovation and capacity building

39. We emphasize the importance of support for the social and solidarity economy from governments and all MDBs, particularly through financial instruments adapted to its development. Microfinance institutions and solidarity finance must also be supported.

40. Increased financial support for research into development and climate change is essential to provide a better understanding of the issues at stake, and to inform the positions and decision-making of the international community. Evaluation is also a necessary tool for effective project financing.

III. <u>Data, monitoring and evaluation</u>

41. In order to monitor the flow of funds to developing countries, we have well-established indicators which remain essential, such as Official Development Assistance (ODA). TOSSD (*Total Official Support to Sustainable Development*) is a statistical indicator designed to measure all financial flows for sustainable development, including private flows, to developing countries. It complements but does not replace ODA, and in no way affects the commitments made.

42. France believes that it is essential to measure the public intervention effort in order to better assess the financing needs of developing countries. The TOSSD is a particularly useful tool for this purpose, as has also been recognized by the UN Statistical Commission. We welcome the creation of the International Forum on TOSSD and its inclusive governance. By 2022, 121 countries and multilateral organizations had submitted their declarations to the TOSSD secretariat. We encourage countries and multilateral organizations to contribute to this indicator as part of the Forum's open discussions.