SUBMISSION OF THE REPUBLIC OF INDONESIA

ELEMENTS PAPER ON FOURTH INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

I. Global financing frameworks

1. Call for adequate and sustainable financing to tackle major global challenges, such as poverty, inequality, and climate change, while fostering international cooperation.
2. Support the development and implementation of financing frameworks that are integrated and adaptive at all levels— local, national, and international—such as the Integrated National Financing Framework (INFF).
3. Ensure financing strategies align with global targets like the SDGs, focusing on long-term sustainable development projects.
4. Urge developed countries to fulfil the Official Development Assistance in a timely manner and scale-up the ODA fulfillment to reach 0.7 per cent of gross national income for official development assistance (ODA/GNI), to support countries in special situations and those facing specific challenges, including middle-income countries.
5. Encourage the implementation of innovative financing, including scaling up blended finance, faith-based financing (e.g. green sukuk) and thematic bonds (e.g. SDGs Bonds, Blue Bonds)
6. Encourage increased funding capacity to be carried out through the development of funding innovation, whether in the form of expanding funding sources, implementing new implementation schemes or mechanisms, and optimizing the role of the financial sector.
7. Work to strengthen financing planning through structuring regulations and establishing adaptive institutions, utilizing digital technology in business processes, and developing innovative delivery mechanisms that support space for obtaining impact financing schemes (impact investment).

II. Action areas

a. Domestic public resources

1. Enhance tax system that is inclusive, transparent, and sustainable as well as effective.
2. Curbing illicit financial flows: strengthen enforcement mechanisms to tackle tax evasion, tax avoidance, and corruption while ensuring transparent financial governance–as well as recovering assets derived from illicit activities.
3. Leveraging digital technology: Utilize digital tools and platforms to improve tax collection, public expenditure efficiency, and increase accountability.
4. Strengthening financial institutions: Enhance the capacity of financial institutions and human resources, promote financial literacy, and foster a culture of savings and investments.
5. Optimizing asset utilization through asset securitization, asset recycling, asset offset, to utilizing increases in asset value resulting from investments, activities,

and asset value capture.

b. Domestic and international private business and finance

1. Formalization of the informal sector: introduce targeted incentives, regulatory support, and financial inclusion initiatives to bring informal enterprises into the formal economy.
2. Empowering SMEs: promote the formalization of SMEs through technical assistance in financial reporting, access to credit, and capacity building for entrepreneurship–as well as encouraging financial inclusion.
3. Enhancing and expanding access to financial services: Improve access to finance by expanding credit availability, and support mechanisms that boost the creditworthiness of underserved sectors.
4. Developing local and international capital markets: Strengthen capital markets to facilitate greater integration into global value chains, improve access to investment, and encourage sustainable business practices.
5. Strengthening and expanding various instruments within the framework of cooperation between government and business entities, especially in regulatory, governance and institutional aspects towards a private financial initiative model that covers the public infrastructure, utilities, and social infrastructure sectors.

c. International development cooperation

1. Demand-driven and country-specific cooperation: Ensure development cooperation frameworks are tailored to the specific needs of developing countries, rather than one-size-fits-all solutions.
2. Country-owned development cooperation: Promote national ownership and leadership in development cooperation, ensuring countries define their own developmental priorities.
3. Capacity building and technology transfer: Facilitate access to technology and knowledge transfers to foster self-reliance.
4. Leveraging and strengthening the existing development cooperation framework, such as but not limited to North-South, South-South and Triangular cooperation (SSTC) and platforms such as Global Blended Finance Alliance.
5. Increasing access to concessional financing: Improve developing countries' access to long-term, affordable, and concessional finance, particularly for infrastructure, climate resilience, and social sector development.

d. International trade as an engine for development

1. Addressing tariff and non-tariff barriers that disproportionately affect developing countries to promote universal, rules-based, non-discriminatory, open, fair, inclusive, equitable, and transparent trade practices.
2. Improving trade infrastructure: Invest in both physical (transportation networks) and nonphysical (customs procedures, use of digital platforms) infrastructure to enhance trade efficiency and competitiveness.

3. Promoting the strengthening and developing of trade agreements, including through regional trade agreements and trade integration to diversify export markets and reduce reliance on single-market dependencies.
4. Expanding and strengthening global value chain to further empower developing countries to ensure that developing countries can secure a share in the growth in international trade that commensurate with the needs of their economic development.

e. Debt and debt sustainability

1. Supporting developing countries to strengthen fiscal policies and debt management systems to manage debt sustainably and avoid future financial crises.
2. Increasing capital mobilization and encouraging MDBs to increase their capital bases, enabling greater lending to developing nations for essential projects like climate adaptation.
3. Re-emphasize the importance of addressing debt vulnerabilities in low- and middle-income countries in an effective, comprehensive, and systematic manner, to ensure sustainable and resilient growth.
4. Step up the implementation of the Common Framework beyond DSSI in a predictable, timely, orderly, and coordinated manner and encourage all stakeholders to utilize the Common Framework.

f. Addressing systemic issues

1. Ensure the fulfillment of commitments by the developed countries on financing for development and climate financing to address continuous financing gap in developing countries.
2. Scaling up South-South Cooperation: Foster greater South-South cooperation to enhance regional resilience and capacity for economic growth and development.
3. Promoting global governance reforms: recognize the importance of greater participation of developing countries in global decision-making forums.
4. Capacity building for developing countries: Provide targeted support to enable developing countries to move from raw material exports to value-added goods, building their industrial capacity and reducing dependency.
5. Advancing macroeconomic policies coordination to support development financing, enhance its efficiency towards a more sustainable and inclusive growth.
6. Ensure the continuing reform of the International Financial Architecture to address present and future challenges (will be elaborated further under section III-Emerging Issues).

g. Science, technology, innovation and capacity building

1. Increasing accessibility and availability to technology: Promote technology transfer and ensure developing countries have equitable access to advanced technologies.

2. Optimizing digital technology for financial inclusion and services through mobile banking, fintech innovations, and blockchain for secure, transparent transactions.
3. Catalyzing innovation by creating enabling environments by investing in research and development, strengthening intellectual property rights systems, and building partnerships between the public and private sectors.
4. Strengthening regulatory frameworks: Support developing countries in establishing sound regulatory environments for emerging technologies to ensure inclusive governance and risk management.

III. Emerging issues

The reform of International Financial Institutions (IFIs) and Multilateral Development Banks (MDBs)

1. IFIs and MDBs must prioritize financing projects that promote green and sustainable growth, address climate change, support energy transitions and digital transformations in developing countries.
2. Creating a more inclusive, transparent and adaptive governance by amplifying the voices of Emerging Markets and Developing Economies, ensuring that governance systems reflect the challenges and needs of the Global South.
3. Promote representativeness and greater participation from developing countries in leadership roles for a more inclusive decision-making process; to ensure IFA reforms better serve the needs and interest of developing countries.
4. Call on MDBs to provide timely support to developing countries by increasing and optimizing long-term concessional finance, including lending in local currencies, as well as the design, financing and scaling up of country-owned and driven innovative mechanisms.

IV. Data, monitoring, and follow up

1. Strengthening data collection systems: Support the development of robust national data collection systems to improve monitoring of SDG progress.
2. Creating multi-stakeholder monitoring mechanisms: Establish mechanisms for multilateral, public-private, and civil society collaboration in monitoring and follow-up processes to ensure inclusive and transparent progress tracking.

V. Overarching reflections

1. Equity and inclusivity in financing: Ensure that international financing frameworks prioritize equity, especially for developing countries and marginalized populations, to leave no one behind.
2. Strengthening international solidarity: Advocate for increased global solidarity and cooperation in financing, ensuring that financial commitments made during crises (i.e. COVID-19 pandemic) are honored and implemented.
3. Sustainability and resilience: Emphasize the importance of aligning all financing strategies with environmental sustainability and social resilience to mitigate future risks and build long-term stability.