

## Call for Inputs for an Elements Paper on Financing for Development

### Inputs provided by Portugal

New York, ~~Tuesday~~Wednesday, October ~~15~~23, 2024

Portugal aligns itself with the input submitted by the European Union (EU) on behalf of the EU and its Member States, as well as the input submitted by the Group of Friends for Disaster Risk Reduction, and hereby adds the following in its national capacity.

As a preliminary point, Portugal welcomes the progress achieved through the Pact for the Future in the financing for development agenda and calls on the preparatory process of the Fourth International Conference on Financing for Development (FfD4) to build upon it.

1. What are the key financing policy reforms and solutions that the fourth International Conference on Financing for Development should deliver?

#### *Cross-cutting*

#### **Increasing financing for SDG14 (Life Below Water)**

- SDG14 (Life Below Water) is one of the least financed SDGs. Estimates of financing needs for the oceans vary, from USD 175 billion to USD 459 billion in overall annual funding.<sup>1</sup> If financing needs stood closer to the former side of this range, there would be an estimated annual financing gap of nearly USD 150 billion.<sup>2</sup>
- The Addis Ababa Action Agenda (AAAA) recognizes the importance of the oceans, their sustainable conservation and use and of their resources for sustainable development, yet does not address the promotion of ocean-based economies and finance.

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<sup>1</sup> Joint SDG Fund & Convergence (2022), “Blended Finance and the Blue Economy”. Available at: <https://www.jointsdgfund.org/publication/blended-finance-blue-economy>

<sup>2</sup> Johansen & Vestevik (2020), “The cost of saving our ocean - estimating the funding gap of sustainable development goal 14”. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S0308597X19305111#:~:text=At%20the%202017%20UN%20Ocean,of%20dollars%20to%20our%20economy.>

- Key barriers to increased investment in SDG14 include: (i) financial and market barriers that impede capital flow into critical areas necessary for ocean conservation; (ii) misalignment of policies and regulations, creating an unpredictable environment that discourages investors; (iii) limited integration of marine sustainability into national and regional development policies often resulting in conflicting priorities; (iv) inadequate stakeholder engagement and public participation in policy-making.<sup>3</sup>
- To increase investments in SDG14, the following solutions could be pursued: (i) **harmonizing regulations, enhancing enforcement mechanisms, integrating marine sustainability into broader economic policies, providing financial incentives, fostering public-private partnerships, and improving stakeholder engagement**; (ii) **exploring innovative financing** (e.g. blue bonds and blended finance) **and risk management tools**; (iii) **leveraging technology for transparency and efficiency**.<sup>4</sup>
- FFD4 should **promote synergies with relevant UN processes**, such as, the Outcome Document of the Fourth International Conference for Small Island Developing States (SIDS4), the Agenda of Antigua and Barbuda for SIDS, and UN Ocean Conferences.
- To note in this regard, in the UNOC2 Political Declaration, Member States committed to **explore, develop and promote innovative financing solutions** to drive the transformation to sustainable ocean-based economies, and the scaling up of nature-based solutions, ecosystem-based approaches to support the resilience, restoration and conservation of coastal ecosystems, including through **public-private sector partnerships and capital market instruments, provide technical assistance to enhance the bankability and feasibility of projects**, as well as **mainstream the values of marine natural capital into decision-making and address barriers to accessing financing**, recognizing that further support is needed from developed countries, especially regarding capacity building, financing and technology transfer.

### *Domestic public resources*

## **Supporting the fight against corruption & illicit financial flows, as well as public procurement**

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<sup>3</sup> João Firmino (August 7, 2024), “How to increase investment in SDG14”. Available at: <https://www.linkedin.com/pulse/how-increase-investment-sdg-14-jo%C3%A3o-firmino-daugf/>

<sup>4</sup> Idem

- The AAAA recognized the **need to substantially reduce and eventually eliminate corruption at all levels and all forms**, as a way of promoting peaceful and inclusive societies. Member States committed to strengthening domestic enabling environments, fighting corruption and enhancing global support for efforts to combat poaching of and trafficking in protected species, trafficking in hazardous waste, and trafficking in minerals – sources of lost revenue and corruption. The AAAA also acknowledged the **United Nations Convention Against Corruption (UNCAC)** as an effective instrument to deter, detect, prevent and counter corruption, prosecute those involved in corrupt activities, and recover stolen assets to their country of origin, urging countries to ratify this legal instrument and encouraging Parties to review its implementation. Through the AAAA, Member States further committed to effectively strengthen national institutions to combat corruption, which has serious implications for economic development and social cohesion.
- At the same time, the fight against corruption is understood to be essential to build tax capacities and reduce illicit financial flows, strengthening the ability of governments to mobilize and provide resources in support of sustainable development.<sup>5</sup>
- Mechanisms, such as, **beneficial ownership information** on legal persons and arrangements, and **asset recovery and return**, have proved useful in the recovery of resources for development. The first **UN Resolution on Public Procurement**, adopted at the 10<sup>th</sup> UNCAC Conference in 2024 and the way it promoted transparency and integrity in support to the 2030 Agenda also represented a step forward. FfD4 could further advance these developments.

### *Domestic and international private business and finance*

#### **Unblocking the potential of remittances**

- Remittances are a key source of income for households and small and medium sized enterprises (SMEs), especially in developing countries.
- In the AAAA, Member States committed to working towards reducing the average transaction cost of migrant remittances by 2030 to less than 3 per cent of the amount transferred. They expressed concern with the cost of remittances in certain low volume and high-cost corridors and further committed to: (i) ensure that no remittance corridor required charges higher than 5 per cent by 2030, mindful of the need to maintain adequate service coverage, especially for those most in need; (ii) support national authorities to address the most significant obstacles to the

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<sup>5</sup> Inter-Agency Task Force (2023), “Financing for Sustainable Development Report 2023”, p. 55

continued flow of remittances, such as the trend of banks withdrawing services, to work towards access to remittance transfer services across borders; (iii) increase coordination among national regulatory authorities to remove obstacles to non-bank remittance service providers accessing payment system infrastructure, and promote conditions for cheaper, faster and safer transfer of remittances in both source and recipient countries, including by promoting competitive and transparent market conditions; and, (iv) exploit new technologies, promote financial literacy and inclusion, and improve data collection.

- The volume of global remittances reached a new high of USD 838 billion in 2022, including USD 614 billion to developing countries.<sup>6</sup>
- While the growing use of digital remittances has contributed to bring down the costs of sending remittances, this figure remains high. Indeed, the **global average cost of sending USD 200 in remittances is still double the 3 per cent target of the 2030 Agenda and the AAAA.**<sup>7</sup>
- In line with the AAAA, **the implementation of the following measures can accelerate progress:**
  - Promoting innovation through the expanded use of digital channels, and increasing digital and financial inclusion
  - Promoting competition among money transfer operators
  - Implementing transparency requirements for fees and commissions charged<sup>8</sup>
- Other measures could be explored to **facilitate diaspora investment**, through the **creation of innovative instruments** (e.g., diaspora bonds), **the provision of specialized accounts, dedicated support by inward investment agencies, as well as an enabling policy and business environment.**<sup>9</sup>
- In 2022, Portugal submitted a Voluntary National Report on the Implementation of the Global Compact for Migration, therein noting the undertaking of an evaluation of the difficulties and challenges associated to the transfer of remittances to tackle this issue.<sup>10</sup>

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<sup>6</sup> The World Bank (March 2024), “Remittance Prices Worldwide Quarterly”. Available at:

[https://remittanceprices.worldbank.org/sites/default/files/rpw\\_main\\_report\\_and\\_annex\\_q124\\_final.pdf](https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q124_final.pdf)

<sup>7</sup> Inter-Agency Task Force (2023), “Financing for Sustainable Development Report 2023”, p. 67

<sup>8</sup> Idem

<sup>9</sup> Inter-Agency Task Force (2023), “Financing for Sustainable Development Report 2023”, p. 31

<sup>10</sup> XXIII Governo, “Relatório nacional voluntário sobre o estado de implementação do Pacto Global para as Migrações Seguras, Ordenadas e Regulares em Portugal”. Available at:  
<https://www.acm.gov.pt/documents/10181/27754/Relato%CC%81rio+Nacional+Volunta%CC%81rio+IMRF+2022.pdf/f0bba73c-ee90-4098-97f7-728e5f41a082>

## *International development cooperation*

### **Implementing Policy Coherence for Development (PCSD) principles**

- The AAAA recognizes the importance of ensuring coherence across multiple domains (e.g., financial system, monetary system, trade, science and technology, etc.) and in particular through policy coherence at all levels (e.g. vertical, horizontal, cross-border).
- The **Policy Coherence for Sustainable Development (PCSD) approach** is key to ensuring that progress made on one SDG contributes to progress on other SDGs and to avoid that policies in one area inadvertently jeopardize the objectives of another. Yet, despite its centrality and added value, system-wide coordination and policy coherence remain a challenge in a complex geopolitical landscape, with increasing risks of fragmentation.<sup>11</sup>
- Notwithstanding this, **the eight principles of PCSD**, as defined by the OECD in its Recommendation, and the corresponding eight domains of the UN SDG indicator 17.14.1, comprising core national governance functions to address global challenges effectively, **remain valid and should be implemented**.<sup>12</sup>

### **Supporting smooth transitions**

- The AAAA recognized the need to devise methodologies to better account for the complex and diverse realities of middle-income countries, and that the graduation process of least developed countries (LDCs) should be coupled with appropriate measures, so that their development process would not be jeopardized and progress towards sustainable development goals would be sustained.
- While there has been progress since then, including with the adoption of the **Doha Programme of Action**, which acknowledges the need for enhanced support to countries before and after graduation, through appropriate, predictable, additional and demand-driven incentives and support measures in various areas, it is important to ensure that **transition support measures** are tailored to each country's context and monitored. The formulation of **smooth transition strategies** is key to this effect and their monitoring could be integrated within existing monitoring frameworks, including progress towards the SDGs.<sup>13</sup>

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<sup>11</sup> Inter-Agency Task Force (2024), “Financing for Sustainable Development Report 2024”, p. 178.

<sup>12</sup> OECD (2010), “Recommendation of the Council on Policy Coherence for Sustainable Development”. Available at: <https://legalinstruments.oecd.org/en/instruments/oecd-legal-0381>

<sup>13</sup> United Nations (2024), “Report of the Secretary-General: Implementation, effectiveness and added value of smooth transition measures and graduation support”

- Portugal supported this type of tailored approach to development cooperation during its Presidency of the Council of the European Union in 2021, with the adoption of Council Conclusions on “EU Partnerships with Middle-Income Countries: Opportunities for the development in transition agenda”.<sup>14</sup>
- In this vein, Portugal supports the operationalization of the **Sustainable Graduation Support Facility (iGrad)**, resulting from the Doha Programme of Action, and welcomes the development of **Integrated National Financial Frameworks (INFFs)**, insofar as they can help graduating and recently graduated LDCs design holistic and dynamic financing strategies taking into account transition finance challenges.
- By the same token, Portugal welcomes the adoption of the Resolution A/RES/78/322, entitled “**Multidimensional vulnerability index**” and looks forward to its implementation, and also welcomes the advances achieved on the development of a framework of **measures of progress on sustainable development to complement and go beyond gross domestic product** through the Pact for the Future.

### **Promoting triangular cooperation**

- The development and strengthening of new and innovative forms of cooperation, such as triangular cooperation, as a complement to North-South and South-South cooperation, can be a positive driver of progress in the implementation of the 2030 Agenda. The Agenda 2030, the AAAA and the Buenos Aires outcome document of the second High-level United Nations Conference on South-South Cooperation (BAPA+40) all acknowledged the contribution of triangular cooperation to the acceleration of progress in the achievement of the Sustainable Development Goals (SDGs). In the AAAA more specifically, Member States committed to strengthening triangular cooperation as a means of bringing relevant experience and expertise to bear in development cooperation.
- The Outcome Document of the [Third South Summit](#) and the [Rabat Declaration on Middle-Income Countries](#) (MICs), among other relevant UN documents since adopted, have since reaffirmed the important role of triangular cooperation, as a complement to South-South cooperation, in providing developing financing and expertise towards achieving the SDGs, with developing countries emphasizing the need for support in such key areas as industrialization, science, technology,

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<sup>14</sup> Council of the European Union (14 June 2021), “EU Partnerships with Middle-Income Countries: Opportunities for the development in transition agenda”. Available at: <https://data.consilium.europa.eu/doc/document/ST-8848-2021-INIT/en/pdf>



innovation (STI), technology transfer, digitalization, trade facilitation, and human capacity development.

- The Pact for the Future (POTF) in particular calls for the strengthening of North-South, South-South and triangular cooperation to build capacity and improve access to science, technology and innovation, and to increase resources for the implementation of technical and scientific initiatives.
- According to data compiled by the OECD, although triangular cooperation still constitutes a small share of development finance flows, its volume and usage has grown significantly over the past two decades. The largest share of triangular cooperation is with partners in Latin America and the Caribbean, and there has been a visible rise in its usage in sub-Saharan Africa and the Asia-Pacific region since 2018. While triangular cooperation is used across a range of sectors, most partners use it as an experience and knowledge-sharing instrument, particularly in regard to how to support the government and civil society. The involvement of multiple partners may sometimes create coordination challenges, leading to higher implementation costs.<sup>15</sup>
- To better assess the evolution of triangular cooperation and its effectiveness, there is a need for all partners to **improve the monitoring and reporting of its use at the national level, and to encourage better monitoring at the regional and global levels.**<sup>16</sup> To that effect, stakeholders could **promote a shared methodology for data collection** (e.g. Total Official Support for Sustainable Development (TOSSD) framework). They could also **consider establishing a triangular cooperation marker in reporting.**<sup>17</sup>
- **The creation of dedicated platforms to promote the exchange of experiences amongst practitioners and of targeted instruments to finance triangular cooperation partnerships** could further contribute to overcoming challenges in the implementation of triangular cooperation initiatives.<sup>18</sup> In this regard, Portugal **welcomes progress in ongoing discussions aimed at the creation of a “Trilateral Cooperation Lab” in the G20,** to which Portugal has contributed as an invited guest of the Brazilian G20 Presidency.<sup>19</sup>

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<sup>15</sup> Inter-Agency Task Force (2024), “Financing for Sustainable Development Report 2024,” p. 111

<sup>16</sup> Idem

<sup>17</sup> Summary of discussions held at the 7<sup>th</sup> international meeting on triangular cooperation, “Triangular Cooperation: Scaling Up Partnerships”, held in Lisbon, from October 12-13, 2023, p. 2. Available at: [https://triangular-cooperation.org/wp-content/uploads/2023/11/Summary\\_7th-International-Meeting-on-Triangular-Co-operation\\_Lisbon-2023\\_final.pdf](https://triangular-cooperation.org/wp-content/uploads/2023/11/Summary_7th-International-Meeting-on-Triangular-Co-operation_Lisbon-2023_final.pdf)

<sup>18</sup> Türkiye and Portugal (July 2024), “Non-Paper on Triangular Cooperation: Leveraging Global Partnerships for Sustainable Development” presented in the context of the Brazilian G20 Presidency

<sup>19</sup> Policy Brief on Trilateral Cooperation prepared for the G20 Development Ministers Meeting & 4<sup>th</sup> G20 Development Working Group Meeting. Available at: <https://southsouthpoint.net/wp-content/uploads/2024/10/G20-DWG-trilateral-cooperation-Policy-Brief-16jul2024.pdf>

- Portugal also welcomes the **creation of a triangular cooperation window in the context of the UN Trust Fund for South-South Cooperation (UNFSSC)**, to which Portugal announced a contribution at the 8<sup>th</sup> international meeting on triangular cooperation co-organized with the OECD in Lisbon, from October 7-8, 2024.<sup>20</sup>

### **Investing in international cooperation for disaster risk reduction**

- The Mid-Term review of the Sendai Framework for Disaster Risk Reduction recognized that, although some progress has been achieved in its implementation, there is still a long way ahead if we are to fulfil the promise of Sendai. This requires a mindset shift across the financial system, moving from a short-term outlook and underprioritizing disaster risks **to promoting prevention and building long-term and sustainable resilience, while ensuring that integrated national financing frameworks are risk-informed, according to national plans and policies.**
- Portugal supports the recommendations put forward by the Group of Friends for Disaster Risk Reduction and further notes its progress towards the achievement of **target F of the Sendai Framework**. In 2022, international support (ODA and other official flows) provided for national disaster risk reduction action amounted to USD 30.3M, compared USD 1.17M in 2015.<sup>21</sup>
- In this context, Portugal welcomes and supports the UNSG’s **Early Warning for All (EW4All) initiative** launched in 2022, to which it contributed EUR 1M to support Pillar 1 activities in two SIDS countries.

### *Debt and debt sustainability*

### **Enhancing the applicability of debt-for-climate and nature swaps**

- The AAAA encouraged the study of new financial instruments for developing countries, particularly least developed countries, landlocked developing countries and small island developing States experiencing debt distress, noting experiences of debt-to-health and debt-to-nature swaps.

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<sup>20</sup> Camões, I.P. (October 10, 2024), “Portugal: 8<sup>th</sup> International Conference on Triangular Cooperation, in Lisbon”. Available at: <https://www.instituto-camoes.pt/en/institutional/communication/news-pt/portugal-8th-international-conference-on-triangular-cooperation-in-lisbon>

<sup>21</sup> UN DRR Prevention Web (consulted on October 12, 2024), “2022 – Portugal – Target F – Progress”. Available at: <https://sendaimonitor.undrr.org/analytics/country-global-target/18/7?countries=136>



- Debt-for-investment swaps can free up resources for SDG and climate investments. They allow countries to redirect debt service payments towards investments in sustainable development and climate action and can be a useful instrument for countries that do not have an unsustainable debt burden, but have limited fiscal space for investment. More specifically, debt for climate swaps can be beneficial when they catalyze climate action and help to mobilize resources, including through private financing and/or for middle-income countries that are less likely to receive grants. However, their applicability has remained limited due to high transaction costs, associated with project identification, structuring and monitoring, as well as a relatively small pool of debt held by creditors that could be interested in participating in them.<sup>22</sup>
- A few measures could help overcome these limitations, including:
  - **Integration with international climate finance:** link swaps with broader international climate finance mechanisms to increase funding sources and investment scalability.
  - **Policy support and capacity building:** enhance policy frameworks to support the implementation of swaps, including the reduction of the associated transaction costs, and build capacity in developing countries to manage and execute these projects effectively.
  - **Monitoring and transparency:** establish robust mechanisms for monitoring and reporting on the environmental and economic impacts of swaps to ensure accountability and optimize outcomes.
- One framework that could simplify, increase efficiency, and reduce transaction costs in the implementation of swaps would be the **creation of jointly administered funds that would pool payments due to several partner creditors and possibly mobilise other contributions**. These funds should have an extremely light and adaptable administrative structure. This is in line with **Portugal’s recent experience with some of its main development partners, allowing bilateral debt to be converted into climate and environment funds**, to be established by the respective governments.

### Addressing systemic issues

- As relates to the reform of the international financial architecture, in addition to the Pact for the Future, Portugal recalls its endorsement of the **Call to Action on Global Governance Reform** issued by the Brazilian Presidency of the G20.<sup>23</sup>

<sup>22</sup> Inter-Agency Task Force (2023), “Financing for Sustainable Development Report 2023”, p. 132

<sup>23</sup> G20 Brasil 2024 (25 September 2024), “Call to Action on Global Governance Reform”. Available at: <https://www.g20.org/en/news/g20-adopts-call-for-reform-of-international-organizations-such-as-un-and-wto>

2. How could the Conference strengthen the follow-up process, to ensure accountability to and full implementation of commitments made?
  - The follow-up process to FFD4 should rely on **open, transparent and effective mechanisms and accountability procedures, improving upon existing practice**. Portugal appreciates the follow-up process established by the AAAA and would welcome and support an **evaluation of its strengths and weaknesses, as well as options for its improvement**.
  - FFD4 follow-up would benefit from a **regular reporting mechanism** to better monitor progress on SDG financing, against the commitments to be agreed in Sevilla, based on verifiable and publicly available data.