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SPAIN 'S CONTRIBUTION TO FfD4 ELEMENTS PAPER

Spain adheres itself to the contribution submitted by the EU on behalf of the EU and its Members States and, in its national capacity, wants to submit the following additional inputs.

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

1. **A new paradigm of financing for development.** The 4th International Conference on Financing for Development (FfD4) that will take place in Seville from 30 June to 3 July 2025 aims at adopting a new paradigm to accelerate the effective fulfillment of the 2030 Agenda and its SDGs and to contribute to effectively close the financing gap for sustainable development.
2. **Matching ambition with action.** Concrete commitments and action will be necessary to reform the international financial architecture, address the debt challenge, improve taxation, and boost development co-operation, among others. Political will is paramount, as commitments will need to materialise in concrete and swift action to revert the current trends. The FfD outcomes should include a mix of (1) language setting the political priorities and the level of ambition for a new FfD architecture, reflecting positive developments in recent years and raising the bar compared to Addis Ababa; and (2) crucially, a series of concrete initiatives and mandates that operationalise political priorities and can be monitored in the follow-up.
3. **Major challenges ahead**. After the recent crises, poverty, hunger and inequality have increased, and climate change is one of the greatest challenges of our time, together with biodiversity loss, with adverse impacts that are disproportionately felt in vulnerable developing countries. All parties must reinforce their commitments towards financing these major global challenges so that no country has to choose between fighting poverty and fighting climate change.
4. S**ustainable development and the realization of human rights are interdependent and mutually reinforcing**. Financing for development should be consistent and aligned with international law, with the aim to enhance the full enjoyment of human rights and dignity for all.
5. **A gender transformative financing for development agenda.** The world cannot afford a gender-blind financing for development agenda. Ensuring a feminist approach is a necessity. Gender equality and the empowerment of all women and girls is an essential prerequisite to sustainable development, and it needs to be embedded in all policies and instruments, including the care economy, women political and economic participation, access to finance and land rights, sexual and reproductive rights, gender-sensitive budgeting and gender-disaggregated data, among others.

6. **A better and more sustainable future for all promoting engagement by young people**, at national and international levels, in the financing for development agenda to secure an intergenerational pact for a better future for all.
7. **Addressing corruption and transparency.** Strong anti-corruption measures and governance controls embedded at every stage are crucial to promote an effective resource mobilization and impactful expenditure to close the development gap.

II. Action áreas

a. Domestic public resources

8. **Reinforcing Domestic Public Resource Mobilization**. More effective and fairer national tax systems are key to create fiscal space for countries to invest in sustainable development, and play an underappreciated role in fostering economic growth, equity, and social stability. Redistributive fiscal policies, increasing the financial capacity of governments and reducing their external financial dependence are key to sustainable development. Weaknesses in design and implementation of tax systems have unintended consequences on poverty and inequality, even under progressive tax policy. Uneven tax enforcement disproportionately affects lower income earners and smaller firms, with tax complexity and compliance costs compounding inequity. We must work to achieve a fairer, simpler and more inclusive and effective tax systems by increasing the mobilization of domestic resources based on progressive income-based taxes complemented by the taxation of wealth, inheritances, and progressive taxation of capital gains, which are key to fight inequality, provide public goods and services, and carry out the transformative investments needed for sustainable development. We must support the public capacities, institutions and systems of developing countries, notably through multilateral institutions such as the IMF and the World Bank, while taking a holistic approach to addressing liquidity pressures and boosting fiscal space in vulnerable countries. The positive role of digital public infrastructure in this regard should also be further explored.
9. **Promote inclusive and effective international tax cooperation.** We need to avoid a race to the bottom in the form of tax competition and advance towards a new era of inclusive tax cooperation. Building upon the work and achievements of other relevant fora and institutions like the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, and while seeking to avoid unnecessary duplication, we should reiterate our commitment to engage constructively in the process towards developing a United Nations Framework Convention on International Tax Cooperation.
10. **Towards a global minimum tax on wealth.** We must urgently advance options for international cooperation on the effective taxation of ultra-high net-worth individuals. Initial cooperation should involve exchanging best practices, debating tax principles, and devising

anti-avoidance mechanisms, including addressing harmful tax practices, counting on the technical inputs of relevant international organizations, academia, and experts. Further to establishing common principles and minimum standards for ensuring transparency of wealth ownership, the final aim should be the creation of a coordinated global minimum tax on ultra-high net-worth individuals, which could include as part of its design an exit tax to avoid capital flight. This would promote income redistribution and reduce wealth concentration, while generating substantial revenues (estimated at $250 billion per year globally).

11. **Green taxes.** To address the climate and development financing gap, we must mobilize new and predictable resources that do not add to debt burdens. This includes identifying and implementing global levies on the carbon emissions of maritime shipping and the aviation sector, or mainstreaming carbon pricing mechanisms. These levies can generate funding for inclusive and equitable ecological transitions, while ensuring that under-taxed and polluting sectors contribute their fair share to public finances.
12. **Enhance integrity and tax transparency**. We must strengthen ongoing efforts to prevent and combat illicit financial flows, money laundering and tax evasion, eliminate safe havens, and recover and return assets derived from illicit activities, including trade mispricing. We stress the importance of international tax and financial transparency instruments and mechanisms, including the Global Forum on Transparency and Exchange of Information for Tax Purposes, while highlighting that many developing countries are still not benefiting from international tax cooperation and the exchange of tax information instruments. We call for the urgent adoption of tools that can assist all countries in ensuring transparency and preventing and combating illicit financial flows, in particular the creation of a global asset register that identifies final beneficial owners of all assets (combining public data components and components held privately for enforcement bodies). Public transparency of country-by-country reports is also on the table in some locations, and its extension to the rest of regions should be explored.

b. Domestic and international private business and finance

13. **Increase private sector investment in sustainable development**. We must support developing countries to catalyze increased private sector investment in sustainable development in its three dimensions –economic, social and environmental– in a balanced and integrated manner. This requires promoting inclusive and innovative finance mechanisms, creating a more enabling domestic and international regulatory and investment environment, developing local capital markets, and the catalytic use of public financing and strategic partnerships with the private sector. Development Finance Institutions, Multilateral Development Banks (MDBs) and national public development banks should play a key role in mobilizing private sector investment, both local and international; set incentives for the scale-up of blended finance transactions, including via

adjusted capital requirements; set specific targets on the use of catalytic capital and incentives for philanthropies to increase their share of de-risking investments; develop a globally recognized definition and taxonomy of blended finance transactions; and expand databases on blended finance projects and opportunities. They should further contribute to identifying investment opportunities and assume more risk through guarantees and other de-risking mechanisms, the use of concessional financing, and the assumption of first losses. Special emphasis should be given to leveraging impact investment on sustainable development, made with the intention to generate a measurable social or environmental impact alongside a financial return.

14. **Policy and regulatory frameworks and company disclosure.** We should prioritize the strengthening of company sustainability disclosure, and the design of policy and regulatory frameworks in support of sustainable finance, through regulations and policies that link better profitability and sustainability. The development of globally consistent and comparable sustainability rating methodologies, which are transparent and traceable, can make sustainable investment more credible.
15. **Foster risk mitigation.** We acknowledge the need to ensure that risk assessment is accurate in developing countries, as it is important the perceived risk corresponds to the actual risk. We need to build on additional disclosure of data and increase the quality, relevance and faithful presentation of the information made available to credit ratings. Innovative arrangements, including through blended finance instruments that are supported by entities with high credit ratings may help to mitigate the project risks. The use and further development of tools such as the Global Emerging Markets Risk Database can also be helpful in correctly assessing project risks. We should also aim at enhancing IMF's debt sustainability assessments by recognizing the long-term value of productive investment in sustainability and resilience, while better regulating credit rating agencies, as private providers of a global public good, notably through ensuring that their methodologies are more transparent and better take into account long-term factors when assessing sovereign debt sustainability and investment risks.
16. **Enhance the contribution of remittances to sustainable development and reduce their cost**. We should advance concrete options to encourage investment of remittances in asset creation or income-generating activities, contributing to empower the diaspora as an agent for development and modernization in their countries of origin. We should also work on reducing the cost of remittances over time.

c. International development cooperation

17. **Deliver on the 0.7 per cent of GNI for ODA commitment**. We underline the essential role of ODA as a counter-cyclical financing mechanism and a source of last resort for many developing countries in areas where no other resources are available. We must re-commit to reach the goal of 0.7 per cent of GNI and the goal of 0.2% of ODA for LDCs. We must

promote the improvement of graduation process beyond per capita income criteria and building on effectiveness principles, including country-ownership and mutual accountability for development results. In addition, we should reinforce relations and coordination with emerging economies and non-traditional donors.

18. **Strategic use of ODA**. We must re-commit to use official development finance strategically regarding emerging challenges, including by mobilizing additional resources and scaling up investments in sustainable development goals while supporting partner countries' enabling environments and generating incentives to boost private investment. We call for an approach to blended finance that places a greater focus on sustainable development impact and effectiveness, rather than quantity or degree of leverage alone, including by focusing on how to improve partnerships with the private sector.
19. **Improve access to concessional finance from MDBs.** MDBs, in partnership with the UN Secretary-General, should present options and recommendations on new approaches to improve access to concessional finance for developing countries, including projects with positive externalities in middle-income countries, enhancing alignment and synergies for shared goals and coherently agreed policies. They should also fulfill the recommendations endorsed on the G20 Roadmap towards Better, Bigger and more Effective MDBs, while ensuring the full implementation of the Capital Adequacy Framework review. The boards of MDBs could also consider scheduling further general capital increases, once all capital adequacy measures have been considered and eventually implemented, while recognizing recent capital contributions, if needed.
20. **Balanced green, economic, and social agenda, including the digital dimension.** In order to leave no-one behind, leverage the benefits of the green and digital transitions, and render them just, sustainable, resilient, transformative and inclusive, a strong and positive social and inclusive agenda should be enhanced and promoted in cooperation with partner countries, while promoting the finance of the provision of global and regional public goods.
21. **Complementarity of climate and environment protection finance and adequate emphasis on adaptation.** Pending the outcomes of COP29 on a new collective quantified goal on climate finance post-2025, we recognize the urgent need to mobilize new and additional finance from all sources to support developing countries in their green transition in a just, predictable and equitable manner, and in their adaptation and resilience to the impacts of climate change and other environmental crises, without leaving behind other SDGs. We should do so on key areas that can deliver win-win solutions on the SDGs, climate change NDC and NAPs and on the Kunming-Montreal targets on biodiversity, such as nature-based solutions, sustainable agriculture and food systems, renewable energy, and sustainable water management. We should promote the harmonization and interoperability of climate finance taxonomies in order to incentivize private sector investments. For an efficient use of scarce resources, we need to ensure full coherence, convergence and synergies between the development agenda and the climate/environment resources at all levels, as intrinsically linked components of the 2030 Agenda. We will explore the potential of climate and

environment finance in the prevention of food and nutrition insecurity and foster social dialogue for just transitions to resilient low-carbon economies.

22. **Enhance policy coherence for sustainable development, promote good governance, revitalize the effectiveness agenda and scale-up integrated financing of sustainable development at the country level**. We should strengthen the principles of alignment, ownership, coordination, partnership, and mutual accountability, in order to maximize impact. Country-led Integrated National Financing Frameworks should be at the core of our efforts to mobilize policies and resources needed for development and environmental financing (especially adaptation). This process, based on multistakeholder dialogue and co-creation, should incorporate both partner country and donor commitments, such as sharing fiscal information and supporting debt sustainability efforts.
23. **Promote SDGs localization.** We underline the importance of localizing the implementation of the SDGs and ensuring that development financing effectively reaches all territories and adequately involves regional and local levels of government.
24. **Beyond GDP.** Economic growth is a prerequisite for development, but growth alone is not enough, and average GDP per capita levels for countries cannot be the only metric upon which the international FfD agenda is built upon. We look forward to initiating a UN-led intergovernmental process, in consultation with relevant stakeholders, on measures of progress on sustainable development that complement or go beyond-GDP. This should include the design of technically sound measures of progress and including them in the consideration of informing access to development finance and technical cooperation. Hence, we encourage the consideration of vulnerability and inequality, and the use of indicators that reflect progress on the economic, social, and environmental dimensions, such as the Inequality-adjusted Human Development Index together with the Multidimensional Vulnerability Index.
25. **Beyond ODA.** We encourage the use of TOSSD as an international standard for measuring the full array of resources to fulfil the SDGs. We acknowledge its inclusive governance structure and encourage more countries to join it. TOSSD is a good complement to ODA to measure flows received by countries beyond graduation, as graduation should not be the end of the relationship of sustainable development co-operation.
26. **Triple nexus.** FfD must take into consideration the need to invest in prioritized policies aimed at reducing the root causes of humanitarian needs. ODA finances both sustainable development, including adaptation to climate change, and humanitarian aid, and it is important to ensure that the Humanitarian-Development-Peace nexus remains adequately funded and coordinated, and that innovative approaches are used. We call for a commitment to ensure predictable, flexible and multi-year financing through a collective and integrated approach in fragile and conflict-affected contexts. Spain's new legislation requires that at least 10% of total ODA be devoted to humanitarian aid, we call others to do so.

d. International trade as an engine for development

27. **Ensure that the multilateral trading system continues to be an engine for sustainable development**. We underscore the importance of a rules-based, open, fair and transparent trading system, with the WTO at its core, to avoid protectionism and contribute to the achievement of the SDGs.
28. **A revamped WTO.** Beyond an operational dispute settlement mechanism, the institution's role should be redefined, to truly work towards a level playing field, incorporating a fairness and development convergence angle to rule-setting.
29. **Enhance regional trade integration**. We support regional trade integration to promote intra-regional exchanges, and inter-regional trade agreements.
30. **Evaluate impact of trade in sustainable development.** There is a need for more robust mechanisms to monitor and evaluate the impact of trade policies on sustainable development outcome.
31. We must establish measures to ensure the **proper functioning of commodity markets**.
32. We call for **increasing funding for Aid for Trade** (trade facilitation and capacity building).

e. Debt sustainability

33. **Collective action to prevent debt crisis**. A package of actions could be agreed to address the current liquidity pressures in developing countries, not only because of the risk that these could lead to a solvency problem, but also given the need of these countries to invest in their development. Commercial debt swaps that entail buyback operations of debt held by private banks, sometimes with the support of MDBs, are an innovative instrument in this field. Further to enhancing domestic resource mobilization, we underline the importance of reinforcing the prevention of debt crises by developing and promoting updated principles on responsible lending and borrowing that reflect the changing global debt landscape, by improving debt management as well as debt transparency. In this context, a single global database, which automates data sharing and validation between creditors and borrowers, could improve the quality and scope of existing data and greatly simplify reporting efforts. Requirements for public disclosure by creditors and borrowers regarding institutional and instrumental debt must also be strengthened. We support further improving debt sustainability assessment frameworks, building on the ongoing review by the IMF and the WB.
34. **Sovereign debt architecture**. Pending the outcome of the G20 Rio Summit, we should prioritize the enhancement of the G20 Common Framework implementation, making it more agile and systematic, clarifying the comparability of treatment concept, and extending its eligibility to middle-income countries. Legislation in major financial jurisdictions should also limit the enforcement of debt terms that interfere with multilateral debt treatments

and related comparability undertakings. We are open to considering enhanced Most Favoured Creditor clauses with a uniform methodology and legal enforcement provisions as they can help ensure equitable treatment among a diverse range of creditors, mitigating the risk of preferential treatment and fostering a more stable investment environment.

35. **Promote the use of debt pause clauses.** We call for the systematic integration of harmonized debt pause clauses into loans to developing countries, including by private creditors, that include climate change hazards, pandemics and food insecurity crises. Moving towards greater harmonization and widespread uptake, of these clauses will make it easier for them to become a standard.
36. We will **promote greater use of debt swaps for the SDGs** with developing countries which are not in debt distress.
37. **Credit rating.** We need to promote increased competition as well as measures to avoid conflict of interest in the provision of credit ratings, underlining the importance that credit rating agencies ensure that their ratings are objective, independent, forward-looking, and based on accurate information and sound analytical methods, through enhanced coordination with financial regulators, private sector actors and PDBs operating in developing countries on debt management issues, to further refine the methodologies and ensure the accuracy in setting credit risk in developing and emerging markets.

<u>f. Addressing systemic issues</u>

38. **An international financing architecture for sustainable development fit for purpose.** We underscore the need for enhancing the representation, participation and voice of developing countries in global economic decision-making to deliver more effective, credible, accountable, and legitimate institutions. We call for a commitment to achieve gender parity at the decision-making spaces of MDBs by 2030. We should strive for a simpler and streamlined architecture that responds to the client needs, including the use of country platforms, alignment with INFFS, and advance a more efficient multilateral bank system based on cooperation and division of labor. We also support more systematic links and coordination between the UN and the IFIs.
39. **Strengthen the role of SDRs.** We recognize the role of SDRs in strengthening the global financial safety net in a world prone to systemic shocks, and their potential contribution to greater global financial stability. We call on all countries that are in a position to do so to consider rechanneling at least half of their SDRs from their 2021 allocation, including through MDBs. We express our willingness to make the most of SDRs by: i) exploring innovative ways to use SDRs, building on the new IMF-WB Enhanced Cooperation Framework under the Resilience and Sustainability Trust to scale up climate action; ii) following IMF approval of the use of SDRs for hybrid capital instruments, driving forward a SDR-based hybrid capital instrument with a sufficient number of SDR holders; and iii)

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encouraging the IMF to consider the review of SDRs issuances to allow for ad-hoc allocations that respond to the need of vulnerable countries during future financial crises and systemic shocks.

40. **Revisiting the IMF's firepower:** We welcome the completion of the review of Poverty Reduction and Growth Trust to better respond to low-income countries' balance of payments needs and we encourage the consideration of all options to ensure the PRGT's financial self-sustainability, including gold sales.
41. **IMF's surcharge policy revision.** We welcome the IMF's review of charges and surcharge policy, that could alleviate the financial burden on borrowing countries, while preserving their incentive functions and safeguarding the Fund's financial soundness. We call for more ambition going forward, both in terms of reducing surcharges and of the possible uses of the resources that these generate.
42. **Reforms to market regulations.** We call for reforms to market regulations, standards and practices to place financial stability and the SDGs at the heart of the operation of markets and economies.
43. **Policy coordination**. Greater coordination of our monetary and financial policies and clear and transparent communication of policy changes are needed to reduce the negative effects on liquidity and capital costs in developing countries.

<u>g. Science, technology, innovation, and capacity building</u>

44. **Bridge the growing science, technology and innovation divide.** . We must scale up financing for promoting STI skills and capacity building in developing countries, and science and education cooperation in order to reinforce knowledge networks among public and private stakeholders and ensure that STI contributes to sustainable development.
45. **Good governance and human rights-based approach**. We encourage a human-centric and rights-oriented digital transformation and the responsible and sustainable use of emerging digital technologies and artificial intelligence by all countries, with the UN at the center of AI global governance.

<u>h. Emerging issues</u>

46. **Cryptoassets**. We call for greater consistency on the regulation and oversight given the cross-border nature of the markets.

<u>i. Data, monitoring and follow-up</u>

47. **Systematic, consistent use of gender-disaggregated data.**
48. **Promote the SDG Indicator Framework**. We must promote greater cooperation to strengthen statistical capacities to complete the SDG´s target indicators with developing countries.
49. We encourage countries to **take ownership of TOSSD** to track progress to SDGs effectively.
50. **Moving towards an operational follow-up mechanism**. We will strengthen accountability, transparency and compliance with commitments with a new monitoring and follow-up mechanism, efficient and operational, and with the following potential elements: action-oriented final document, indicator framework with measurable targets to facilitate outcomes, clarify timeline, use of TOSSD, monitoring by the interagency team, annual plenary session in parallel to the Forum.

III. Overarching reflections

51. **Sevilla Partnership for inclusive financing of sustainable development.** We must step up our efforts to mobilize adequate financing from all sources and the required means of implementation to achieve sustainable development within inclusive societies, which embraces diversity and combats all forms of discrimination, and live in harmony with nature. FfD4 in Seville should give way to a global partnership for an inclusive financing for sustainable development with the commitment to identifying obstacles encountered in the achievement of the goals agreed and actions to overcome them, as well as to address emerging issues with the aim to accelerate the implementation of Agenda 2030 and the reform of the international financial architecture.