Republic of Zambia

ELEMENTS PAPER
FOR THE FOURTH INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

Introduction

The Fourth International Conference on Financing for Development (FfD) presents a critical platform for Zambia to reflect on its development financing needs, strategies, and challenges. For Zambia, the FfD is not merely a venue for reflection but an opportunity to advocate for a renewed and equitable global financing architecture that promotes sustainability and inclusivity, while recognising the unique challenges faced by lower-middle-income countries. Zambia's reflections and proposals underscore the urgent need for a global framework that prioritises the financing of Sustainable Development Goals (SDGs) by 2030, ensuring that no nation is left behind.

Reflections on Zambia's Development Context:

a. Zambia, a lower-middle-income country, has faced significant socio-economic challenges over the last decade, including external debt accumulation, fluctuating commodity prices, and the COVID-19 pandemic's economic repercussions. Despite these setbacks, the government has remained committed to pursuing SDGs through a comprehensive approach that aligns national development plans (such as the Eighth National Development Plan) with global financing frameworks.

b. Zambia's economic growth has been heavily reliant on external borrowing, leading to unsustainable debt levels that now pose risks to fiscal sustainability. Additionally, the nation faces significant challenges in mobilising domestic resources, managing public debt, and addressing illicit financial flows, all of which impact its ability to finance development initiatives.

c. To address these challenges, Zambia calls for enhanced international cooperation in development financing.

I. OVERARCHING REFLECTIONS

Amid the ongoing impacts of COVID-19, the climate crisis, geopolitical tensions, and rising inequality, the urgency for a strong global framework to finance sustainable development has never been greater.

1. **Reaffirm the Principles of Multilateralism:** Renew commitment to multilateralism based on mutual respect, shared responsibility, and collective action, with the UN leading efforts to achieve the SDGs.
2. **Promote Global Solidarity:** Advocate for global solidarity, ensuring fair resource allocation and support to countries in need, fostering a just global order where no country is left behind.
3. **Mobilising Sufficient Resources for Sustainable Development:** Provide a comprehensive strategy to mobilise resources from all sectors, focusing on both traditional and innovative financing, particularly for vulnerable countries like Least Developed Countries (LDCs).
4. **Close the Climate Finance Gap:** Fulfillment of the $100 billion annual climate finance commitment to support climate mitigation and adaptation in developing countries from developed countries and explore new financing sources like carbon pricing and green bonds.

5. **Build Resilience to Future Shocks:** Develop strategies for resilience, including contingency financing, adaptive social protection systems, and strengthened global and national preparedness and response capacities.
6. **Address Technological Disruptions:** Promote policies for inclusive digital transformation, workforce upskilling, and harnessing technology for sustainable development.

II. ACTION AREAS
A. DOMESTIC PUBLIC RESOURCES

Domestic resource mobilisation is key to financing sustainable development and achieving the SDGs. It enables governments to fund essential services like education, health, food security, and infrastructure investment.

a. Enhancing Tax Policy and Administration

1. Implement progressive tax policies that ensure a fair distribution of the tax burden, particularly broadening the tax base by reducing exemptions and loopholes, improving tax compliance through stronger enforcement mechanisms, and modernising tax administration with digital tools and data analytics, and capacity-building for tax authorities.
2. Advocate for strengthened international cooperation on automatic tax information exchange, including the country-by-country reporting of multinational enterprises to tax authorities and transparent access to beneficial ownership information. This should be complemented by robust anti-money laundering regulations, enhanced measures to combat the financing of terrorism, and effective frameworks for asset recovery.
3. Encourage the development of industries that process and add value to natural resources within the country, rather than exporting raw materials and invest in local manufacturing, refining, and processing facilities.
4. Agree on a UN Framework Convention on International Tax Cooperation to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows.
5. Establish an international public credit rating agency at the UN that could provide long-term ratings as well as counterbalance the influence of private credit rating agencies.
6. Increase ODA for tax capacity and strengthening technical assistance.
7. Strengthen regional tax administration networks and promote global knowledge sharing.
8. Provide political support and greater independence to national supreme audit institutions.
9. Ensure that the outcomes of the Base Erosion and Profit Shifting (BEPS) process are relevant and beneficial to developing countries.
10. Establish clear standards on tax avoidance and evasion in private sector partnerships.

b. Improving Public Expenditure Management

1. Support the use of performance indicators in budgeting to assess the impact of government programs and polices, alongside capacity-building for public officials.
2. Leverage procurement systems to foster effective, equitable and sustainable development.
3. Promote transparency by publishing of budget breakdowns aligned with SDG-related expenditures.
4. Align tax incentives with sustainable development.

c. **Mobilising Domestic Resources Through Public-Private Partnerships (PPPs)**
1. **Leverage Public-Private Partnerships for Infrastructure Development.** Establish clear legal and regulatory frameworks for PPPs to maximise public benefits and minimise fiscal risks.
2. **Inclusive and Equitable PPPs:** Include social and environmental safeguards in PPP agreements.

d. **Strengthening Domestic Financial Markets**
1. Advocate for the development of capital markets that facilitate the issuance of government and corporate bonds, thereby providing an alternative source of financing for public and private sector projects.
2. Expand financial services to underserved populations, including women, rural communities, and small and medium-sized enterprises (SMEs), focusing on digital financial services, microfinance, and financial literacy.

e. **Engaging Citizens and Strengthening Governance**
1. Implement strong anti-corruption measures, including the establishment of independent anti-corruption agencies, the enforcement of anti-bribery laws, and the promotion of a culture of integrity in public institutions.

B. DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE

The Monterrey Consensus, Doha Declaration and Addis Ababa Action Agenda acknowledges private finance as a key driver of domestic growth and job creation, particularly suited for productive, profit-oriented investments. To meet sustainable development needs, private financing will be essential for infrastructure and innovation, including sustainable energy, often in partnership with the public sector.

a. **Attracting International Private Investment**
1. Promote the establishment of a conducive investment climate that attracts foreign direct investment (FDI) while safeguarding national interests. This includes implementing stable and transparent legal and regulatory frameworks, protecting property rights, ensuring political and economic stability, and offering incentives such as tax breaks and investment guarantees. Also emphasize the importance of improving infrastructure, such as transportation, energy, and telecommunications, to enhance the attractiveness of the country as an investment destination.
2. Encourage adherence to environmental, social, and governance (ESG) criteria and local community engagement.
3. Promote investment in priority sectors that are aligned with national development priorities, such as renewable energy, agriculture, healthcare, and information and communication technology (ICT) and support innovation through partnerships and hubs.

b. **Leveraging Innovative Financing Mechanisms**
1. **Promote the** use of private capital such as blended finance mechanisms to de-risk investments in key sectors, such as infrastructure, agriculture, and renewable energy, and encourage private investors to participate in projects that have high development impact.
2. Advocate for the expansion of **s**ustainable finance instruments, such as green bonds in both domestic and international markets, supported by clear standards and frameworks that ensure their integrity and effectiveness.

3. Promote impact investing through the establishment of dedicated impact investment funds, the creation of impact measurement frameworks, and the development of investment products that cater to impact-oriented investors, and integration into mainstream practices such as pension funds and insurance companies.

c. Strengthening Public-Private Collaboration

1. Strengthen **PPPs** frameworks with clear guidelines, risk-sharing mechanisms, and stakeholder involvement.
2. Support capacity-building in feasibility studies, negotiation and management.
3. Establish a UN intergovernmental process to review development outcomes of public-private-partnerships, blended finance and other financing mechanisms established to promote a ‘private finance first’ approach to infrastructure and public services.

d. Enhancing global investment in infrastructure and clean technology

1. Encourage national, regional, and multilateral development banks to develop pooled infrastructure vehicles and platforms.
2. Encourage national, regional, and multilateral development banks to channel resources of long-term institutional investors for sustainable infrastructure, e.g., through long duration green bonds.
3. Establish public country-based databases containing viable infrastructure projects.
4. Implement targeted training programs for local institutions on project preparation, management, and finance. These programs should be tailored to address the specific needs of institutions, equipping them with the essential skills and knowledge required to effectively plan, execute, and oversee investment projects.
5. Provide technical assistance from international experts and development partners to help local institutions build the necessary skills and knowledge in project management and execution.

C. INTERNATIONAL DEVELOPMENT COOPERATION

International development cooperation is essential for achieving the SDGs, especially in supporting the poorest and most vulnerable countries with limited capacity to raise domestic resources, such as LDCs and conflict-affected nations. Continued access to international public finance is crucial, even after countries graduate to middle-income status. Smarter use of development cooperation can also help mobilise additional financial resources.

a. Reaffirming Commitments to Official Development Assistance (ODA)

1. Despite global commitments, ODA levels remain below the target of 0.7% of Gross National Income (GNI) set by the United Nations. Urge developed countries to fulfill this commitment to address multi-dimensional vulnerabilities in specific contexts.
2. Set concrete and binding timetables to meet commitments.
3. Beyond the quantity of ODA, it is essential to enhance its quality and effectiveness. Focus on aligning ODA with recipient priorities ensuring predictable and timely delivery, reducing conditionality, and improving donor coordination.
4. Advocate for increasing ODA for climate action, particularly for adaptation and resilience-building in vulnerable communities, and integrating climate considerations into all development cooperation activities, ensuring that ODA supports the transition to low-carbon and climate-resilient economies.

5. Set up an expert technical group to develop and present to Member States options for a coherent framework that accounts for climate finance and ODA in a transparent manner.
6. Reaffirm existing targets for LDCs with binding timetables.
7. Establish a fund from ODA grants to help finance social protection floors in the poorest countries.
8. Agree on a UN Convention on International Development Cooperation, including establishing a mechanism for the fulfilment of the trillions in unmet 'aid debt' owed to the Global South through decades.
9. Ensure increased coherence and strengthened linkages of ODA to the three pillars of sustainable development.

b. Promoting South-South and Triangular Cooperation

1. Strengthen South-South cooperation initiatives that promote the exchange of best practices, technology transfer, and capacity building in areas such as agriculture, health, education, and infrastructure, while ensuring that cooperation is demand-driven and aligned with the priorities of the participating developing countries.

c. Strengthening Multilateral Development Institutions

1. **Reform Multilateral Development Banks (MDBs)** to reflect the current global economic landscape and the interests of developing countries, including increasing the voice and representation of developing countries in decision-making processes and ensuring that MDBs' policies and operations are aligned with the principles of sustainable development.
2. Scale-up the use of sovereign and MDB-backed guarantees to lower borrowing costs.
3. Suspend IMF surcharges for two years and review the IMF's surcharge policy.
4. Consider vulnerabilities beyond a country's income status to determine eligibility for concessional financing windows.
5. Reform the IMF Special Drawing Rights System:
    A. Adopt a rule-based approach to SDR allocation to minimise discretion and political influence.
    B. Direct SDRs to countries in need by (a) rechanneling SDRs to Multilateral Development Banks as hybrid capital. (b) reforming the allocation formula to reflect countries' liquidity needs alongside IMF quotas.
6. Expand MDBs' resource mobilisation efforts, including leveraging private sector investment through blended finance mechanisms and providing concessional finance for projects that have high development impact but are considered too risky for private investors. Additionally, establish dedicated funding windows within MDBs that focus on key development challenges, such as climate change, gender equality, and infrastructure development.
7. Enhance the effectiveness of development cooperation among multilateral development institutions, including MDBs, United Nations agencies, and other international organisations. This includes promoting joint programming, harmonising procedures and standards, and aligning support with the development strategies of recipient countries.
8. Establish a UN intergovernmental process to review the governance of MDBs and build more inclusive, transparent, accountable and democratic MDBs.
9. Review graduation criteria and the limits on access to finance for lower-middle-income countries.

d. Ensuring Accountability and Mutual Learning

1. Adopt robust accountability frameworks that monitor the delivery and impact of development cooperation, ensuring that all stakeholders are held accountable for their commitments.

D. INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT

International trade drives development by providing resources for private investment through export earnings and for public expenditure through tax revenue. It plays a crucial role in agriculture and the global food system, promoting decent work and reducing inequality. However, trade patterns must shift to support sustainable consumption and production for long-term development.

a. Reforming Global Trade Rules for Development

1. Advocate for reforms to ensure global trade rules are fair, addressing tariff barriers, agricultural subsidies, and intellectual property rights, while supporting special and differential treatment (SDT) for developing countries to implement trade policies that support their development priorities.
2. Promote the expansion and deepening of Regional Trade Agreements (RTAs), particularly within Africa, through frameworks like the African Continental Free Trade Area (AfCFTA) to promote trade in goods and services, reduce trade costs, harmonise standards, and facilitate the movement of people and capital across borders.
3. Support capacity-building initiatives that help developing countries implement trade facilitation agreements, improve trade logistics, and adopt digital trade technologies.

b. Expanding Market Access for Developing Countries

1. Eliminate barriers to ensure that developing countries can fully participate in international trade, including duty-free and quota-free access for LDCs to developed and emerging markets, simplifying rules of origin requirements, and simplified trade regulations.
2. Promote the inclusion of developing countries in **Global Value Chains** (GVCs), particularly in high-value-added sectors such as manufacturing, agro-processing, and services. This includes providing technical and financial assistance to help developing countries meet international standards, improve productivity, and enhance the competitiveness of their industries.
3. Advocate for policies that support export diversification and the development of higher-value-added industries, and the establishment of export processing zones (EPZs) and special economic zones (SEZs) that offer preferential conditions for businesses engaged in export-oriented production.
4. Implement the principle of special and differential treatment for developing countries.

c. Building Resilience to External Shocks through Trade

1. Promote trade policies that enhance resilience to global challenges, diversify export markets, reducing dependency on a single product or trading partner, building strategic reserves of essential goods, and strengthen global trade governance for crisis management.

d. Enhancing the Role of Trade Finance

1. Expand trade finance facilities, particularly for SMEs and businesses in developing countries, through the development of innovative trade finance instruments, and strengthen international financial institutions, such as the International Finance Corporation (IFC), to play a more active role in providing trade finance to developing countries.

2. Conduct a thorough international review of existing investment agreements, ensuring alignment with regional agreements and industrial policies.

E. DEBT AND DEBT SUSTAINABILITY

Sustainable debt financing is an important element for mobilising resources for public and private investment.

a. **Establishing a Comprehensive and Transparent Debt Resolution Mechanism**
   1. Strengthen national debt management strategies.
   2. Establish a comprehensive and transparent international debt resolution framework under the auspices of the United Nations. This framework should provide a predictable and orderly process for restructuring unsustainable debt, ensuring that the interests of both creditors and debtors are balanced and that the process is transparent, timely, and inclusive.
      A. Suspending debt service for all countries entering Common Framework restructurings.
      B. Expanding eligibility for the Common Framework to middle-income countries.
      C. Adopting an integrated approach among official and private creditors as well as multilateral and bilateral debt restructurings.
      D. Establishing a 'Comparability of Treatment' formula to reduce technical disputes and accelerate restructurings.
      E. Making bolder use of the IMF Lending into Arrears policies to reduce leverage of holdout creditors.
      F. Incorporate climate-resilient debt clauses in all new sovereign debt issuances.
      G. Encourage pre-emptive debt restructuring.
   3. Include social, environmental, and developmental impacts in debt restructuring to align with SDGs and protect essential services.
   4. Enhance coordination among stakeholders, including debtor nations, creditors, and IFIs, to ensure effective debt restructuring, using tools like collective action clauses and debt swaps.

b. Enhancing Debt Transparency and Accountability
   1. Promote global standards for full debt disclosure of public and publicly guaranteed debt, loan contract publication, and regular debt sustainability reporting.
   2. Harmonise debt data reporting standards across countries and institutions, aligning reporting practices with those of international organisations such as the International Monetary Fund (IMF) and the World Bank, as well as strengthen national statistical capacities.

c. Supporting Debt Relief and Innovative Financing Solutions
   1. Call for the expansion of existing debt relief initiatives, such as the G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for Debt Treatments beyond the DSSI as well as establish a permanent multilateral debt relief fund.
   2. Support the exploration and implementation of innovative financing instruments, such as debt-for-climate swaps, debt-for-nature swaps, and state-contingent debt instruments as a means of linking debt relief to investments in climate resilience, environmental protection, and social development.

d. Promoting Sustainable Borrowing and Lending Practices

1. Strengthen frameworks like the IMF's Debt Sustainability Analysis (DSA) and the World Bank's Debt Management Performance Assessment (DeMPA) to address evolving risks, including climate change and economic instability.
2. Increase technical assistance and capacity-building support to help developing countries strengthen their debt management practices and training for government officials on debt analysis and risk management.
3. Strengthen domestic legal systems and frameworks for sovereign debt restructuring.

e. Addressing Emerging Debt Challenges

1. Integrate climate risks into debt sustainability analyses and develop mechanisms like catastrophe bonds and insurance-linked securitie to address these risks while supporting climate adaptation and resilience-building efforts.

F. ADDRESSING SYSTEMIC ISSUES

Addressing systemic issues is a core part of the Monterrey Consensus, Doha Declaration and Addis Ababa Action Agenda.

a. Reforming the International Financial Architecture

1. Enhance the voice and representation of developing countries in key decision-making bodies, such as the International Monetary Fund (IMF) and the World Bank, by revising voting shares, increasing the representation of developing countries in governance structures, and ensuring that their concerns are adequately reflected in global financial policies.
   A. Reform the IMF's quota formula to increase Africa's quota share.
   B. Advocate for a fifth Deputy Managing Director position at the IMF for Africa.
   C. Leverage the historical milestone of AU G20 seat to advance the reforms of the global financial architecture drawing on the work of the Africa High-Level Working Group on the Global Financial Architecture.
2. Establish a more democratic and transparent global governance system that ensures fair and equal participation of all countries, regardless of their economic size or power with stronger United Nations involvement and enhanced coordination among international and regional financial organisations.
3. Strengthen and expand the global financial safety net (GFSN), ensuring that it is adequately resourced, accessible, and responsive to the needs of developing countries, including enhancing the resources and flexibility of the IMF and improving coordination between regional financial arrangements (RFAs) and the IMF.

b. Addressing Global Financial Stability and Systemic Risks

1. Enhance international cooperation to identify, monitor, and mitigate systemic risks in financial markets, capital flows, and exchange rate volatility, with a strengthened role of the Financial Stability Board (FSB) and ensuring that all countries, including developing ones, have a voice in shaping global financial stability policies.
2. Support robust international regulatory standards to promote transparency, accountability and resilience, including strengthened oversight of shadow banking and systemically important financial institutions (G-SIFIs), and addressing the risks associated with speculative capital flows.

3. Curb Illicit financial flows (IFFs) through enhanced international cooperation, stronger anti-money laundering (AML) and counter-terrorism financing (CTF) frameworks, and the promotion of transparency in the global financial system.

c. Aligning international rules and standards with sustainable development objectives

1. Adopting Broader Metrics of Well-being Beyond GDP as a sustainable development indicator.
2. Implement the Environmental-Economic Accounting Systems (SEEA).
3. Respect national policy space for sustainable development.

G. SCIENCE, TECHNOLOGY, INNOVATION, AND CAPACITY BUILDING

Science, technology, and innovation are critical drivers in tackling the complex challenges of sustainable development. Achieving the SDGs will necessitate not only widespread investment in emerging technologies but also the optimization and scaling of existing ones, ensuring that their benefits reach all communities equitably.

a. Promoting Investment in Science, Technology, and Innovation

1. Strengthen research institutions, innovation hubs, and technology parks that can serve as incubators for new ideas and technologies through collaboration between academia, industry, and government.
2. Establish a UN member-state led global technology assessment mechanism to fill the vacuum in the governance of digital technologies, including digital finance technologies, and assess their impacts on society, the environment and people.

b. Bridging the Digital Divide

1. Increase investment in digital infrastructure, particularly in rural and underserved areas to ensure universal access to the internet and digital services, using Public-private partnerships (PPPs).
2. Implement comprehensive digital literacy programs that target all segments of society, including women, youth, and marginalised communities, focusing on building skills in areas such as coding, data analysis, cybersecurity, and digital entrepreneurship.
3. Develop inclusive digital economies that provide opportunities for all citizens to participate in and benefit from the digital revolution, ensuring that digital policies and regulations are designed to protect the rights and privacy of users while promoting innovation and competition.
4. Set up, expeditiously, the Technology Bank for the LDCs.
5. Ensure intellectual property regimes and the application of TRIPS flexibilities are fully consistent with sustainable development.

c. Strengthening National Innovation Systems

1. Provide SMEs with finance, technical assistance, and market opportunities through incubators, accelerators, and innovation funds.
2. **Human Capital Development.** Focus on STEM (science, technology, engineering, and mathematics) education at all levels, from primary schools to universities and provide scholarships, research grants, and exchange programs to build expertise in science and technology.
3. Increase international cooperation and collaboration on innovation, science and research, including by building on existing initiatives.

d. Leveraging STI for Sustainable Development

1. Invest in climate-smart technologies, such as renewable energy, sustainable agriculture, and climate-resilient infrastructure tailored to the specific needs and vulnerabilities of developing countries.

e. Financing Science, Technology, Innovation, and Capacity Building

1. Fulfill Official Development Assistance (ODA) commitments for STI and create dedicated funding streams within international financial institutions to support STI projects in developing countries. Mechanisms should be established to facilitate access to global STI funds, ensuring that resources are directed to countries and regions with the greatest need.

III. DATA, MONITORING, AND FOLLOW-UP

In the pursuit of sustainable development, data serves as the backbone for informed decision-making, effective policy implementation, and accountability.

a. Strengthening National Statistical Systems

1. Strengthen the capacity of national statistical agencies through training and collaboration with academic institutions and international organisations to improve the availability of high-quality data, timely and reliable data.
2. Ensure data is disaggregated by income, gender, age, ethnicity, geographic location, disability, and other relevant dimensions to address the needs of marginalised and vulnerable populations.
3. Invite international statistical services and forums, led by the UN Statistical Commission, to regularly assess and report on the adequacy of international statistics related to FfD.

b. Enhancing Data Availability, Accessibility, and Quality

1. Utilise big data, AI, and machine learning to improve data collection and analysis, exploring partnerships with the private sector.

c. Establishing Robust Monitoring and Accountability Mechanisms

1. Develop national and regional frameworks aligned with SDG indicators to track progress and enable timely interventions.
2. Publish annual progress reports to ensure transparency and highlight challenges in FfD4 commitments.
3. Advocate for a centralised platform for real-time tracking and knowledge-sharing on FfD4 commitments.

d. Ensuring Sustainable Financing for Data Systems

1. Propose the establishment of a Global Fund for Data and Statistics to provide financial and technical assistance to countries with limited capacity in vulnerable regions.