INPUTS FOR AN ELEMENTS PAPER ON FINANCING FOR DEVELOPMENT

1. The Government of Zimbabwe notes that the Financing for Development (FfD) forum is a crucial platform for addressing global economic challenges and promoting sustainable development, hence, it anticipates that the following key inputs will be considered in the Elements Paper in preparation for the Fourth International Conference on Financing for Development, to be held in Seville, Spain from 30 June to 3 July 2025.

2. Furthermore, Zimbabwe presents some of the inputs in its capacity as the Chairman of the 56th Session of the Economic Commission for Africa (UNECA) Conference of African Ministers of Finance, Planning and Economic Development (COM24).

DOMESTIC PUBLIC RESOURCES

3. Africa has made significant progress in financing its development through domestic resources in recent years. However, this funding is inadequate to close a widening financing gap, to bridge the funding gap, African countries need to boost domestic resource mobilization by increasing financial resources, improving public spending efficiency, leveraging large pension fund markets and sovereign wealth funds, curbing illicit financial flows out of the continent, and harnessing partnerships. New sources of tax revenue should be sought, including those from digital payments, informal sector taxes, and sin taxes, among others.

4. During COM24 held in Victoria Falls, Zimbabwe over the period 28 February to 5 March 2024, it was noted that constraints on effective domestic resource mobilization include the large informal sector in Africa, weak and inefficient tax administration systems, unproductive tax incentives, leakages in revenue collection, such as illicit financial flows, and weak law enforcement.

5. Thus, the following recommendations were proffered to increase Domestic Public Resources during COM24:

    - The Conference recommended the United Nations to begin negotiations under its auspices on an international convention on tax matters, with the participation of all Members States of the Economic Commission for Africa (ECA) and relevant stakeholders.
    - The Conference further recommended the drafting terms of reference for a United Nations framework convention on international tax cooperation.
    - The ECA and other relevant stakeholders were recommended to build the capacity of African countries, in particular in the areas of tax policy and administration,

international tax cooperation, governance of tax expenditure, debt analysis and management, and countering all forms of illicit financial flows;

- In addition, the Conference urged the international community to take appropriate action at national, regional and global levels to ensure that illicit financial flows are treated as a system-wide challenge at the global level, and that the international community adopts a global coordination mechanism to monitor illicit financial flows systematically, including through the central collation, publication and analysis of data on foreign financial accounts and country-by country reporting by multinational companies.

6. Furthermore, African countries are urged to adopt and implement the Domestic Minimum Top-Up Tax (DMTT) to ensure that multinational companies contribute their fair share of taxes in Africa and minimize transfer pricing leakages. For example, Zimbabwe and South Africa have begun implementing the DMTT provision, which will ensure that multinational cooperation pays at least 15% of corporate tax.

7. Other key financing policy reforms to improve on Domestic Resource Mobilisation to be considered include the following:

   - *Strengthen Tax Systems*: Enhance tax capacity, efficiency, and fairness; reduce tax evasion and avoidance.
   - *Broaden Tax Base*: Implement progressive taxation, reduce exemptions, and address tax loopholes.
   - *Improve Public Financial Management*: Enhance budget transparency, accountability, and efficiency.
   - *Mobilize Non-Tax Revenues*: Optimize state-owned enterprise performance, public asset management, and natural resource revenue.
   - *Enhance Subnational Finance*: Strengthen local government revenue collection, budgeting, and expenditure management.
   - *Promote Gender-Responsive Budgeting*: Ensure equitable allocation of resources for gender equality and women's empowerment.
   - *Foster Private Sector Engagement*: Encourage responsible business practices, tax compliance, and investment in sustainable development.

INTERNATIONAL DEVELOPMENT COOPERATION

8. Affordable finance is crucial for sustainable development, thus strengthening Multilateral Development Banks (MDBs) is essential to increasing lending capacity and supporting development projects. By strengthening MDBs, more resources can be unlocked for sustainable development and achievement of the SDGs.

9. The following key inputs should be considered under International Development Cooperation to promote financing for development:

    - ***Official Development Assistance (ODA)***: Increase ODA quality, quantity, and predictability, focusing on least developed countries.
    - ***South-South Cooperation***: Enhance collaboration, knowledge sharing and mutual learning among developing countries.
    - ***Triangular Cooperation***: Foster partnerships between developed, developing, and emerging economies.
    - ***Global Partnerships***: Strengthen collaboration on global challenges like climate change, health, and education.
    - ***Capacity Building***: Support developing countries in building institutional capacities for sustainable development.
    - ***Technology Transfer***: Facilitate access to and dissemination of innovative technologies.
    - ***International Tax Cooperation***: Address tax evasion, avoidance, and base erosion to ensure fair taxation.
    - ***Blended Finance***: Leverage public funds to mobilize private investments in sustainable development.
    - ***Remittances and Diaspora Engagement***: Reduce transaction costs and harness diaspora resources for development.
    - ***Global Economic Governance Reform***: Enhance representation, voice and participation of developing countries in international economic decision-making.

DEBT AND DEBT SUSTAINABILITY

10. During COM24 it was noted that worsening public debt crises was one of the challenges facing African countries in their effort to create fiscal space for Sustainable Development Goals (SDGs) financing. The Conference also took note of the General Assembly's resolution on external debt sustainability and development, in which the Assembly emphasized the importance of debt sustainability, debt transparency, and effective debt management in efforts to achieve the Sustainable Development Goals.

11. Given the declining external financing, Governments should provide appropriate de-risking incentives to promote Public-Private Partnerships (PPPs), to finance critical infrastructure projects with resources from the private sector.

12. Urgent reforms to the G20 Common Framework are required to make it more effective, transparent, and fit for purpose. Furthermore, African countries should advocate for the suspension of debt service for all countries entering Common Framework restructurings and a comprehensive review of the IMF-World Bank Debt Sustainability Analysis Framework to prioritize solvency over mere liquidity.

13. African countries should leverage on their significant diaspora community to issue diaspora bonds and related instruments to raise additional funding, for sustainable development.

14. Leveraging on carbon credits is equally critical for African countries to unlock benefits to support sustainable development, economic growth, and climate resilience while contributing to global efforts to combat climate change.

15. There is scope for the issuance of "***green***" and "***blue bonds***" linked to climate change to raise additional resources for development. Climate insurance at both sovereign and micro-level goes a long way in mitigating the negative impact of climate shock to vulnerable communities for example Zimbabwe and Malawi recently received pay-outs from the African Risk Capacity Group (ARC), for the insurance they took against the 2023\2024 agricultural season.

16. Debt swaps can be valuable for managing debt and alleviating financial stress. By exchanging debt for new obligations with more favourable terms, countries can manage their debt more effectively, reduce financial stress, and create space for sustainable development and economic growth.

17. The following recommendations, which should be considered as financing policy reforms for FfD4 were made during COM24:

    - ECA should adopt climate change policies and integrate them into public spending through green budgets, by leveraging innovative financing mechanisms, such as debt swaps and asset recycling strategies;
    - African countries should join the sustainable debt coalition initiative to reinforce the African position on the debt crisis in global forums;
    - ECA should continue to advocate, promote dialogue on and mobilise support for the development of the sustainable debt coalition initiative in Africa; and
    - ECA should organise experience-sharing platforms and capacity building activities in relation to debt swaps.