*Sustainable development financing is crucial for implementing the 2030 Agenda but faces significant challenges, particularly from the COVID-19 pandemic the impacts of climate change and global conflicts. The challenging global debt situation, high food and energy prices, capital flight, tax evasion, and the global interest rate turnaround are further exacerbating this situation.*

*Financing for Development is a political framework that focuses on systemic issues and considers all financial flows in an integrated manner. FfD4 should accelerate efforts to undertake necessary steps to close the SDG financing gap and therefore contribute to the full implementation of the Sustainable Development Goals and a just transition as well as provide a framework which looks beyond 2030.*

*We need a new era of sustainability. To achieve this, we need innovation, new alliances between the private and public sectors, and the support of academia, local authorities and civil society.*

**German Inputs for an Elements Paper on Financing for Development**

**Action-oriented inputs**

1. **A global financing framework (cross-cutting issues)**

* **Advancing INFFs**: It is critical to prioritize the further development and use of Integrated National Financing Frameworks (INFFs) to ensure better alignment of all financial flows with development objectives at the national level. This includes enhancing technical assistance and build institutional capacities to enable countries to design and implement INFFs effectively. We encourage evaluating possible synergies of INFFs with country platform models of the WBG or JETPs.
* **Scaling Up Social Protection Initiatives:** Enhancing multilateral initiatives, such as the Global Accelerator for Jobs and Social Protection for Just Transitions of the UN, is vital to closing significant gaps in social protection systems worldwide. Increasing multilateral funding and strengthening global partnerships are essential to expand the reach and impact of social protection programs.
* **Further aligning financial flows with Nationally Determined Contributions**, National Adaptation Plans and Long-Term Strategies are pivotal to achieve the goals of the Paris Agreement and to support developing countries on a way to net zero and to protect particularly the most vulnerable against the consequences of climate change. The international climate finance structure needs to be fit to deliver on a [New Collective Quantified Goal on Climate Finance that is currently negotiated.](https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://unfccc.int/NCQG&ved=2ahUKEwio7bXO-42JAxVBSfEDHeUHEvMQFnoECAgQAQ&usg=AOvVaw0pnE7_6TAMae4hhobCUdMT)

**Action Areas**

* 1. Domestic public resources
* **Scaling up capacity building at tax authorities:** Improving the capacity of tax authorities (e.g. integrity and technical expertise) is essential to creating more robust, progressive and efficient tax systems. Increasing efficiency in workflows, use of technology and better updated taxpayer records as well as lending support to developing countries in implementing the international standards to combat tax evasion and tax avoidance. Mobilization of domestic revenues is the backbone of a functioning state and has a significant influence on a country's development.
* **Implementing Progressive Fiscal Measures:** Prioritize the adoption of progressive and growth enhancing taxation and other fiscal policies aimed at promoting inclusive economic growth and reducing income and wealth disparities within countries. This includes, for example, promoting legislative reforms and international cooperation to ensure that fair and effective taxation policies are in place.
* **Tax Transparency:** Enhance tax transparency by promoting more comprehensive and accessible reporting of financial and tax-related information. This includes strengthening international cooperation on the exchange of information between countries, such as the automatic exchange of information under the umbrella of the OECD Global Forum. This transparency helps to ensure that tax revenues are collected equitably, which is critical for funding public services and infrastructure.
* **International Tax Cooperation:** Supporting further development of the international tax architecture and constructive engagement in developing a UN Tax Convention towards a stable, balanced, inclusive and fair international tax architecture, while taking into account the work and results of existing fora.
* **Simplify global tax rules:**To better equip developing countries in their fight against tax base erosion and profit shifting, easily administered solutions need to be developed. A simplification of tax rules also benefits the effectiveness and sustainability of the international tax system.
* **Taxation of the digitalized economy:** Commitment to the rapid finalization and implementation of Pillar 1, which seeks to reform global tax rules to address the challenges of the digitalized economy, to address profit shifting and ensure that multinational corporations are taxed more fairly in the countries where they generate revenue.
* **Strengthen measures to effectively tax ultrahigh-net-worth individuals:** Support and internationally coordinate the effective taxation of high-net-worth individuals with the aim to reduce inequality and generate additional revenue for investments in socio-economic development and a just transition towards environmentally sustainable economies and societies for all. Advocate for coordinated global efforts to implement fair, effective and progressive taxation policies targeting ultrahigh-net-worth individuals.
* **Support to the Addis Tax Initiative (ATI) beyond 2025:** Support the work of the newly established task force within ATI to formulate a renewed mandate for ATI beyond 2025. ATI partner countries still face persistent challenges in effectively mobilising domestic revenues. As a multi-stakeholder partnership, the ATI plays an essential role in fostering collective action to improve tax systems in light of recognised gaps in development finance.
* **Socially-just Green Taxation:** Advocate for fair and economically efficient green taxation policies like carbon taxes and complementary green tax incentives and subsidies. Support international coordination for effective, consistent environmental policies across borders. Design tax measures to be economically efficient while protecting low-income populations from disproportionate burdens.
* Gender in tax and fiscal policies: By incorporating gender-focused analysis into public financial management, gender budgeting can ensure that resources are effectively allocated to promote gender equality. Also ensuring that the development of tax policies incorporates a gender perspective, recognizing the explicit and implicit gender biases in taxation for women and marginalized groups, and promotes gender equality in fiscal policy.
  1. Domestic and international private business and finance
* **Fostering conducive investment climates for private investments:** Tailored analyses of challenges for the local private sector, policy-based lending and local capacity development at country level as well as advisory services are key. Business and investment climate reforms must, at the same time, be designed to promote sustainable practices of private actors. The private sector needs a conducive and stable business environment, including enabling regulatory conditions, adequate quality infrastructure, and sufficient local capacity to invest in SDG-aligned projects.
* **Development of capital markets**: Domestic capital markets are important drivers of economic growth and wealth creation. Capital markets remain rather illiquid and underdeveloped in many developing economies. International cooperation in this area is therefore increasingly needed to build up domestic capital markets by ensuring the necessary preconditions such as macroeconomic stability, a developed financial sector with a broad investor base, efficient market infrastructure and a robust institutional and legal environment. At the same time, it is important to preempt potential side-effects of financial market integration/development through adequate regulation (e.g., sovereign-bank nexus and risks of financial instability).
* **Establishing sustainable finance framework conditions:** Intensify effortsto make SDG-aligned businesses more attractive for the private sector.Development and implementation of interoperable Sustainable Finance frameworks, as well as the adoption and technical implementation of international standards on transparency and reporting, including climate and biodiversity related metrics, as developed by the International Sustainability Standards Board are important measures for this purpose. By providing a common language for sustainable investment, market transparency and integrity can be enhanced and channel financial flows into sustainable activities.
* **Extending the strategic use of public finance to mobilize higher private investment flows**: Enhance catalytic use of public finance to mobilize private finance in line with development objectives. The pooling of concessional capital, e.g., through blended finance instruments, and local currency solutions are key mechanisms to crowd-in private capital and improve the risk-return profiles for private investors. Promote standardization of private capital mobilization instruments to ensure efficient deployment at scale and wider accessibility of investment opportunities.
* **Deepening collaboration on data**: Support international cooperation to improve the quality, availability and accessibility of risk data required to assess emerging and developing market investments. In this context, we welcome recent publication of data such as the Global Emerging Markets (GEMs) Database or initiatives such as the Publish What You Fund’s DFI Transparency Index. While risk data is an important lever to tackle risk perception of EMDE investments, further data such as ESG and impact data needs to be explored.
* **Enhancing investment in infrastructure, including via multilateral initiatives**: Follow an integrated approach along the infrastructure life-cycle: from fostering support for enabling regulatory environments to creating pipelines of sustainable and bankable projects. Existing multilateral initiatives such as the G20 Global Infrastructure Facility, the Public Private Infrastructure Advisory Facility should play a key role in this regard.
* **Reduce transaction costs for remittances**: Key barriers to lowering these costs include financial institutions' de-risking practices and the heavy reliance on cash-based transfers instead of digital channels. Promoting the further scaling-up of technological innovations, especially digital technologies, is key to bringing down the transaction costs of international remittances. This also requires working with international standard setters to ensure a proportionate application of regulations on private money flows, helping countries meet global financial integrity standards, preventing financial crime, and expand access to financial services for individuals and businesses.
  1. International development cooperation
* **0,7% ODA target:** Germany remains committed to the ODA target and encourages more development partners to strive to achieve the 0,7% target.Maintaining a fair burden sharing between development partners is important, especially in times of multiple crises and strained fiscal budgets in many advanced economies.
* **ODA for gender equality:** Encouraging development partners to intensify their efforts to prioritize the ODA-share for gender equality, which has declined since the pandemic.Gender equality is a crucial cross-cutting issue that influences all aspects of sustainable development. Prioritizing it within ODA strategies ensures that development initiatives are inclusive and equitable, fostering more sustainable outcomes.
* **Development Effectiveness Agenda:** A renewed global commitment to the core principles of the Development Effectiveness Agenda. The monitoring of the principles could be linked with the monitoring and follow-up process of the Post-Addis Agenda. While the current record levels of ODA are commendable, the increasing demands on these resources necessitate a strategic focus on maximizing their impact.
* **Mandate of the UN Development System**: Keeping clear-cut mandates, combined with efficient and effective coordination measures, contributes to the achievement of all SDGs.
* **Financing of Global Public Goods (GPGs)**: As aimed at in the World Bank evolution, the financing of GPGs is vital to create a world free of poverty on a livable planet. Hence, the World Bank and other MDBs need to continue to promote the provision and maintenance of GPGs through its channels ensuring that financing for GPGs is inclusive and focused. Addressing GPGs is essential for long-term development and resilience, ensuring sustainable progress in vulnerable regions. Thereby, both the goal of poverty reduction and maintaining a livable planet are reached.
* **Implementation of CAF-recommendations:**  MDBs should further implement the CAF-recommendations as appropriate and applicable to leverage their balance sheets while maintaining their excellent credit ratings and preferred creditor status.
* **MDB coordination:** Further developments for MDBs to act as an integrated system, based on mutual reliance. Prioritize joint initiatives, harmonized operations, and aligned strategies – preferably on the basis of country strategies and platforms - to deliver maximum impact on global challenges while maintaining AAA credit ratings. Efficient coordination ensures greater collective impact without duplicating efforts.
  + - **Enhance credit ratings and country risk assessments**: Development of approaches to include investment opportunities in risk assessments of credit rating agencies, DFIs and MDBs when investing in climate protection. If the ratings were to consistently take into account the opportunities of such investments, incentives would be created to drive forward the sustainable economic transformation. Investments would also become more attractive for private investors.
    - **Beyond GDP:** Reference the need to develop measures of progress on sustainable development that complement or go beyond GDP, including the consideration of informing access to development finance and technical cooperation.Measures that go beyond GDP support attaining sustainable development in a balanced and more holistic manner.
* **Joint Financing Mechanisms:** Support the creation and use of joint financing mechanisms, such as pooled funds, blended finance initiatives or joint policy-based lending, to mobilize and align resources from multiple donors and MDBs towards common development objectives. Joint financing mechanisms enable more effective and coordinated responses to complex development challenges, leveraging the strengths of different donors and financial institutions.
* **South-South and Triangular Cooperation**: Support and enhance South-South and triangular cooperation, based on the outcome document of the 2nd High-level UN Conference on South-South Cooperation (BAPA+40).
  + - **Strengthening the G20 Compact with Africa**: We support peer-initiatives such as the G20 Compact with Africa. Peer-initatives, such as the CwA, can lead to tangible successes like more foreign direct investments, stronger trade and exports, and more robust growth.
  1. International trade as an engine for development
* **Reform of WTO**: Support to making multilateral trading system under the WTO more effective. Reform process of WTO as mandated institution should be revived.
* **Aligning trade agreements with development goals**: A well-focused regular evaluation under FFD process to analyze changes in binding trade and investment agreements.
* **Integration of LDCs into WTO:** Support effective integration of low-income, lower-middle-income, and vulnerable countries into the WTO and strengthen LDCs' capacities to ensure their inclusion in negotiations. Encourage member states and IOs to develop innovative WTO projects, with a focus on ratifying the fishery subsidies agreement, building on Germany's role as an early contributor to the WTO fund assisting developing countries with fishery regulations.
* **Gender-responsive trade policies within WTO frameworks:** Promote policies to ensure that trade agreements consider the economic empowerment of women, particularly in sectors where they are predominantly employed. Focus on the reduction of “pink tariffs”.
* **Environmental goods and services:** Intensify plurilateral discussions under the WTO on the liberalization and facilitation of trade in environmental goods and services (EGS).
* **Integration of regional value chains**: Harmonized standards, e.g. CO2 taxes, and investing in infrastructure for the export of green technologies and critical materials can promote both global climate and economic development goals.
* **African Continental Trade Agreement:** Support the effective implementation of the African Continental Trade Agreement, a key step toward trade liberalization, which could double intra-African trade and lift up 75 million people out of poverty.
* **Investor-state dispute settlement:** Reach a multilateral agreement for the coordinated and permanent cessation of Investor-State Dispute Settlement cases, and addressing non-compliance or breaches of existing trade and investment commitments.
* **Digital trade and e-commerce**: Include digital trade and e-commerce in FFD4 agenda, emphasizing their role in global trade and opportunities for developing countries. Germany supports this through multilateral and bilateral cooperation programs.
* **Aid for trade:** Extend the further role for Aid for Trade in FFD4, with a focus on environment-friendly goods, digital trade, LDCs, and promoting gender equality in trade sectors. Germany, a top donor contributing $6.6 billion in 2022, supports initiatives covering trade negotiations, infrastructure, enterprise development, and more.
  1. Debt and debt sustainability
* **Strengthening G20 Common Framework** (CF)**:** Reform efforts should include expansion of the group of applicants, automatic deferral of debt service, a CF user manual for debtors including clear deadlines and support for applicant countries.
* **Participation of private creditors**: The implementation of the Comparability of Treatment (CoT) remains challenging for debtor countries, resulting in delays and slow and patchy private sector participation. Building on the progress made so far within the G20 Common Framework and the Global Sovereign Debt Roundtable (GSDR), the participation of private creditors in debt restructurings could benefit from strengthening information sharing, promoting clarity and enforcement of the principle of comparability of treatment and enhancing the capacity of debtors to act in the context of debt restructurings.
* **Improving debt transparency**: Call on all creditors, public and private, to adhere to the G20 Operational Guidelines for Sustainable Financing, and to disclose lending operations through the relevant databases. Refinement of existing guidelines, reporting requirements, and data infrastructure to support adequate reporting. At the same time, it should be ensured that the legal framework in the debtor countries is structured accordingly and requires debt management and tax reporting as well as the disclosure of information at loan level. Lack of transparency hinders efficient and fair debt restructurings.
* **Promote the use of debt swaps**: Promoting a better understanding of the potential and limitations of commercial Debt-for-Development Swaps and call for the use of bilateral debt-for-development-swaps where appropriate. Bilateral, and under specific circumstances commercial debt swaps, can be used to create fiscal space for investments in resilience and sustainable development.
* **Use of climate-resilient debt clauses:** The use of climate resilient debt clauses (CRDCs), which allow debtor countries to temporarily suspend debt repayments in the event of a climate-related disaster, should be promoted as part of the crisis response toolkits of vulnerable debtor countries, when appropriate.
* **Enhancing Debt sustainability analyses (DSAs):** DSAs are key instruments and core diagnostics and play an important role in debt architecture. Better integration of minimum requirements into DSAs should be promoted, e.g. for the protection of social spending and essential government investments, building resilience to climate change/loss of biodiversity, safety buffers for further shocks. Optimism-bias prevailing in DSAs should be effectively addressed to avoid sub-optimal fiscal decisions, inadequate financing decisions by creditors, and insufficient restructurings.
* **Capacity building in debt management**: Debtor countries need continuous multilateral and enhanced bilateral support in building capacity in debt management. This is vital for building capacity in debt negotiations and ensuring good debt management as well as enhance debt transparency.
* **Update principles of responsible borrowing and lending**. Work towards a global consensus on guidelines for the responsibilities of sovereign debtors and creditors. This is an essential steppingstone to reduce debt risks.
  1. Addressing systemic issues
* **Use of MVI by MDBs**: Inviting Multilateral Development Banks (MDBs) to consider the Multidimensional Vulnerability Index (MVI), as appropriate, as an additional criterion for determining access to concessional financing. By integrating the MVI, MDBs can better target concessional financing to those countries most in need and to those measures bringing the highest benefit to strengthening the country’s resilience. Furthermore, MDBs could use the MVI to tailor their technical and financial support to the specific vulnerabilities of countries, ensuring that concessional financing is used where it can have the greatest impact.
* **Representation in IFIs**: Recognize the crucial role of the United Nations (UN) in global economic governance and the importance of coordination between the UN and international financial institutions like the IMF and World Bank, while respecting their independent mandates. We support continued reforms to enhance the representation and voice of developing countries in IFIs, including the establishment of the 25th chair on the IMF Executive Board for Sub-Saharan Africa and by enhancing representation of developing and vulnerable countries in the board of directors of the World Bank. We emphasize the need for more inclusive participation, improved diversity in leadership, and stronger governance to address global challenges effectively.
* **Transparency and coherence in development, biodiversity and climate financing**: This can be achieved by aligning complementary frameworks of climate, biodiversity and development funding. Coordinated financing accelerates progress towards climate, biodiversity and development goals while enhancing accountability, resource efficiency thereby leading to greater impact and leaving no one behind.
* **Global Financial Safety Net**: Explore options to strengthen the Global Financial Safety Net through enhanced coordination between IMF, regional funds and national central banks in order to interlink crisis finance sources (IMF and regional credit lines and central bank currency swaps), for example in a tier financing system.

**Financial regulation**: Consider options such as a global regulatory framework for the asset management industry and a global agreement on the importance of capital account management. To strengthen private sector mobilization in developing and emerging countries, regulations need to be reviewed, including the regulatory treatment of instruments and vehicles.

* 1. Science, technology, innovation and capacity building
     + **Innovation through accessible and inclusive capacity building:** Governments and development partners should prioritize gender-inclusive capacity building, such as accessible vocational training and retraining for workers in new, clean industries. This is essential for driving the social-ecological transformation needed for resilience, climate adaptation, and advancing green technologies.
     + **Access to artificial intelligence (AI):** Promote equitable access to AI, ensuring all countries can participate in its development and application while adhering to responsible and sustainable AI principles. This is crucial for sectors like agriculture, education, and efficient resource use in developing countries, helping close digital divides, and empowering local ecosystems. Care must be taken to avoid reinforcing systemic inequalities or harming vulnerable groups, especially when addressing AI’s infrastructure demands, such as large-scale electricity needs.
     + **Digital public goods financing:** Support the development of open-source software and open datasets in key areas for achieving the SDGs, ensuring that language on increased investments aligns with the Global Digital Compact, paragraphs 16 and 17e. Enhance financing effectiveness for digital public goods and infrastructure by improving coordination among donors and multilateral organizations to address the ICT development financing gap.

1. **Emerging issues**
2. **Data, monitoring and follow-up**

* **Gender-disaggregated data:** Intensify global and national efforts to produce high-quality, timely, and reliable disaggregated data by gender and other intersecting characteristics, ensuring data security and privacy rights. Incorporate gender-responsive indicators to measure transformative change across all development areas. Reliable, comprehensive data is essential for achieving gender equality and empowering women and girls, as it enables evidence-based policies that effectively address gender inequalities and meet diverse needs.
* **Inter-agency task force on FfD:** The participation of key institutional stakeholders, especially International Financial Institutions, is crucial to the Financing for Development process. Their perspectives on substantive issues should be more explicit, such as in the annual Financing for Sustainable Development Report. Enhanced coordination between IFIs, the UN, member states, and development agencies should be encouraged through the FfD process, including the IATF. This coordination provides valuable policy recommendations from national, regional, and global experiences, benefiting UN member states.
* **Enhancing the FfD-Forum:** Complement the FfD-Forum with intersessional, member-state-led preparations on selected topics, to be discussed in depth during plenary sessions. Intersessional work would enable more substantive discussions and solutions to critical financing issues, which are often only briefly addressed during the Forum itself.
* **Financing indicator framework:** Any new framework should incorporate and harmonize existing data sets, minimizing the need for additional data collection to reduce the burden. Leveraging existing sources could ensure consistency and facilitate monitoring of FfD4 outcomes effectively.

1. **Overarching reflections**

* **Inclusive FfD4 process:** The FfD4 process must be inclusive and holistic. All stakeholders, especially civil society, must be able to participate meaningfully. It is essential to ensure coherence, complementarity and synergy with other ongoing discussions and not pre-empt or undermine other decision-making processes in relevant institutions within or outside the UN.
* **Reduce dependencies and strengthen self-reliance**: With all the aforementioned policy issues, GER seeks to closely cooperate to achieve a future financing for development which is aimed at sustainable growth, employment and investment. The latter should be targeted to support financial sustainability and help to foster local empowerment in developing countries. In this respect, the international community should in particular seek to enhance technical cooperation and capacity building in partner countries, also with a view to achieve the SDGs.
* **Gender equality:** A renewed financing agenda must deliver more on gender equality. The empowerment of all women and girls is essential to achieving sustained, inclusive and equitable economic growth and sustainable development. Sustainable development financing and gender equality are interdependent and mutually reinforcing. Gender-transformative approaches and targeted development financing aimed at gender equality can reduce these structural inequalities and their adverse effects.
* **Mobilization of the private sector:** Public resources alone are insufficient to achieve the SDGs. Private sector investment for sustainable development is crucial but has been inconsistent. The urgent task is therefore not only to better attract domestic and international private investments, but also to enable that sufficient funds flow to where they are most needed and have a sustainable impact and to support transformation processes.
* **Mobilizing domestic revenues**: Strengthening domestic revenue mobilization in a socially just manner is essential for sustainable development. Improving tax systems to enhance efficiency and equity is critical, ensuring that revenue collection supports development goals while not placing undue burdens on vulnerable populations. Effective national tax policies, alongside strong international cooperation, are crucial for building resilient economies and securing the financial resources needed for sustainable development and a just transition towards environmentally sustainable economies and societies for all.
* **Debt and debt sustainability:** While debt is crucial to finance investments to achieve the SDGs and to address climate change and biodiversity loss, current debt burdens of many countriesstifle their capacity to make these necessary investments. Conflict, inflation, and monetary contraction may be the heralds of a further deterioration. We need to increase our efforts to step up the implementation of the CF and strive for structural improvements in this regard. Furthermore, ensuring debt transparency and developing financing instruments that enable investment into SDGs without putting budgets under pressure remain key challenges.
* **Reform of the International Financial Architecture**: The reform needs to take into account three key dimensions: It is essential to adequately reflect the voice and participation of all countries in global economic governance. Second, equipping relevant MDBs to respond to multiple crises that endanger our livelihoods is essential. Third, recognizing and respecting the respective mandates of international financial institutions in relation to the United Nations in global economic governance.
* **Follow-up mechanism:** It is critical to establish a robust, efficient and effective follow-up mechanism to monitor progress of the FfD4-Agenda and coordinate reform initiatives, avoiding duplication of efforts and workstreams. In that regard, the inclusivity of the FfD-process must be maintained. This means ensuring the participation of civil society, academia and the private sector in the monitoring and follow-up process to maintain the FfD-process’ character as an inclusive and democratic space.