

**THIRD FFD4 PREPCOM**

**COMMENTS BY SOUTH AFRICA ON THE ZERO DRAFT OF THE FFD4 OUTCOME DOCUMENT**

**A GLOBAL FINANCING FRAMEWORK**

Paragraph 2 should underline that there is an SDG Financing Gap of 4.3 trillion dollars and call for urgent implementation of the SDG Stimulus to scale up public international financing by USD 500 billion per year as a first step towards providing the surge needed to avert failure of the SDGs.

Paragraph 5 should recognise the special and indispensable role of public international finance.

Paragraph 6 should make reference to the Pact for the Future, at which we pledged a new beginning in multilateralism, and made far reaching commitments to mobilise significant additional financing for development and to place the 2030 Agenda and investing in the eradication of poverty at the centre of the reform of the international financial architecture.

Paragraph 7 should also include complimentary measures to socialise the Addis and Seville Agendas among global finance practitioners, to ensure that fiscal frameworks intrinsically support these objectives.

We fully support para 8, including the need to improve the enabling environment at an international level that will also support sustainable development at a country level. We should also add a reference to the right to development.

We strongly support the proposal by the Civil Society FFD Mechanism for a paragraph to address the economic and financial impact of systemic racism and thank them for proposing paragraph 9 bis in their input, which we could support.

We fully support para 19 on the empowerment of women and girls.

On paragraph 22, South Africa proposed that the entire climate finance architecture needs to be reframed to focus on debt-free and economically-just climate finance flows rather than on profit-driven investments. The quality of finance remains a major constraint in climate action - as the bulk of climate finance is in the form of loans that need to be repaid - making ambitious climate action impossible in developing countries that have high levels of debt and severe fiscal constraints. The paragraph needs to be redrafted to reflect this.

We would like to see the insertion of a paragraph on financing for peace building, as we did in para 67 of the AAAA.

**DOMESTIC PUBLIC RESOURCES**

On 29 (c), the Inter-Agency Task Force on Financing for Development (IATF) developed guidance frameworks for operationalising the INFFs that should be institutionalised to ensure uniformity in the application of the methodological approaches for : (i) assessments and diagnostics; (ii) development of country-level financing strategy; (iii) monitoring and review; and (iv) governance and coordination. Countries could benefit from the operationalisation of tools and guidance frameworks to better scope the financing needs, risk assessment, financing landscape and policy and institutional binding constraints.

We fully support para 29 (f) on gender-responsive budgeting and taxation.

The caveats and current phrasing in 29 (h) are particularly important - we would find it hard to agree to the unilateral placement of deadlines, or a full commitment to end these subsidies. The support for the principle of equity and CBDR need to be retained.

29 (i ) - The International Monetary Fund (IMF)/ World Bank Group (WBG) Domestic Resource Mobilization Initiative (DRMI) has been launched and could be referenced as playing a valuable role in implementing this paragraph.

29 (k) – is one of most impactful outcomes in this document. We note that it is not prescriptive. We fully support 29 k and note that the African Ministers of finance in 2018 adopted the 15% tax to GDP ratio target.

We would like to see a commitment to the target proposed by the International Labour Organization to increase social protection coverage by at least two percentage points per year as measured by SDG Indicator 1.3.1, to align with US$17.4 billion, or 0.04 percent of GDP of low-and middle-income countries required to meet this commitment, as well as a call for development partners and the multilateral system to scale up its support in mobilizing the necessary resources to close the coverage gap.

We generally support paragraph 31.

On paragraph 32, national development banks in developing countries do not receive the necessary levels of resources needed to make real developmental impacts. It is important that this section also addresses how new NDBs will be capitalised and how funding to existing NDBs can be scaled up.

**DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE**

**Paragraph 35**

The question here is do the action points match up to the robust action needed to strengthen the global enabling environment for long-term private investment in the chapeau?

It is important for development partners to play a more strategic role in providing catalytic capital to crowd in private sector involvement into projects. We propose an **additional bullet** point committing to the provision of first-loss capital to improve risk-return profiles and, thus, incentivizing others to invest, and for more innovative risk-sharing and de-risking instruments, such as guarantees and insurance, which are vital in mitigating investment risks and attracting private capital to development projects.

A key priority for FDI should be the strengthening of regional integration through infrastructure development. We believe that investing in fewer, larger and more transformative regional operations that are specifically targeted at important sectors will result in greater impact.

In para 35 (d), we believe that for the private sector to be crowded in effectively, we need to see clear commitments for higher leveraging ratios in blended capital. We would like to **see a call added** to significantly increase the mobilisation ratio of finance mobilized from public sources by 2030. We note that this is also a recommendation of the FFD4 Business Steering Committee.

**Para 36**

36 (e) This language may result in mixed messaging at a national level - potentially introducing 3 different regulatory standards to be implemented - national, ISSB and GRI. This would create uncertainty in financial markets. We would propose that this language be reviewed, to ensure that it allows for a national, country driven approach to transposing the international standards at a national level.

35 (g) (interoperability of taxonomies) It would be useful to get a sense of what this would entail - as it is unclear how this would be established and what its objective and mandate would be.

Project preparation remains a key roadblock to crowding in private sector finance into sustainable development projects in Africa. We thus request an additional paragraph in 35 committing to support the development of projects from the very early stages of the project preparation life-cycle, and to assist developing countries in developing projects at the necessary scale that are replicable, through dedicated project preparation facilities with significant concessional resources.

**INTERNATIONAL DEVELOPMENT COOPERATION**

On 38 (a), we support setting a setting a timeframe for achieving the 0.7% target.

We propose the **following additional bullet points** to the section on ODA in 38:

* A reaffirmation of the importance of ODA as a key component of international development cooperation in helping recipient countries achieve the SDGs.
* A commitment to align ODA with the 2030 Agenda or the sustainable development agenda. Why only call on other sources to do this?
* A commitment to increase grants or non-debt creating finance and highly concessional finance.
* A commitment that ODA commitments must not be counted as climate finance commitments, as these were made for different purposes.
* A call urging the OECD DAC to reconsider its definition of ODA. Currently the definition overstates contributions by including items that are not strictly ODA. Language suggestion "We emphasise the importance of the precise measurement of ODA including the exclusion of components such as refugee costs, debt relief, imputed student costs and private sector instruments to ensure credible and reliable reporting for informed decision-making, resource allocation, and progress monitoring"
* A further commitment to transparency in the reporting of development assistance by all countries, as it is unclear what is counted as ODA.
* A commitment reaffirming that TOSSD will not replace ODA which will remain the key measure of donor effort by the OECD/DAC
* A commitment to use beyond GDP measures to inform access to development cooperation, including grants. This is stated in 38j in the MDB section, but should apply to ODA and loans as well. We propose the following language:

"We commit to using comprehensive measures of human development / development that go beyond Gross National Income per capita (GNI), to classify developing economies and inform development cooperation policies, including access to grant funding. GNI per capita does not accurately reflect inequalities in income distribution and social dynamics in developing countries. The sole use of GNI per capita distorts access and allocation of grant funding and could exacerbates debt sustainability challenges for developing countries."

The majority of people living in poverty reside in MICs, yet MICs are graduated out of ODA despite these challenges. This is stated in (j) the MDB section, but should apply to ODA as well as loans.

38 (g) – we would appreciate a reference to the African Development Fund replenishment at the end of 2025, preferably a call to support a robust replenishment of the African Development Fund.

38 (h) - strongly support.

38 (i) - suggest emphasising that products in local currency decreases recipient country "vulnerability to external shocks".

38 (j) Beyond GDP should also inform access to grants.

Why qualify that the new approach to concessional finance should only apply to projects in MICs with ‘positive externalities?’ On the caveat ‘shared goals and coherently agreed policies.’ South Africa cautions that this should not compromise the country-driven approach. National development priorities of developing countries remain critical for country ownership.

Finally, **add a bullet** saying : We emphasise that loans must be accompanied by complimentary support (i.e. a grant component / technical assistance / capacity building / skills transfer) in order to ensure sustainability.

**Para 39**

We **strongly recommend that para 39 on financing for climate, biodiversity and ecosystems form a separate section of the document** i.e. that it is not a subcomponent of International Development Cooperation. That is in order to emphasise that new challenges MUST receive new financing (and not be drawn from old ODA commitments or envelopes). Climate finance cannot be seen as a sub-component of International Development Cooperation.

39 f: The consolidation of the existing climate and environment finance initiatives should not impact those funds established under the UNFCCC. Add **‘**consider consolidating existing climate finance initiatives ***not under UNFCCC***, and we urge donor countries to concentrate their contributions in climate funds under the UNFCCC.’

**We propose a new bullet** inserting a goal and measurement for "new" money. Currently Donor/ financing countries are shifting funds from existing envelopes to meet climate pledges. This undermines the ability to meet existing development challenges.

**Para 40**

40 (c) - We would **want to see a goal here** on promoting local procurement - e.g. **doubling the value of contracts awarded to local suppliers**. EU specific data indicates that only 13% of contracts went to local providers, despite decades of lobbying to decrease tied aid.

**TRADE AS AN ENGINE FOR DEVELOPMENT**

On 46 (k), we would like to see an acknowledgement of the grave harm that trade protectionism disguised as environmental measures would do to developing countries, causing widespread de-industrialisation and unemployment. We would also **like to see a commitment** to seek a **cooperative multilateral solution** **by the end of 2025** before fully implementing such measures, through concerted and coordinated action at the UN, the UNFCCC and the WTO, in line with agreed to principles of the UNFCCC’s first Global Stocktake, the Kyoto Protocol and the Paris Agreement.

Regarding 43 (l), unilateral coercive economic, financial or trade measures are a cross-cutting issue affecting every aspect of sustainable development, not merely trade. Consideration could also be given to addressing them in the Realizing Sustainable Development section.

**Critical Minerals** provide one of the best emerging opportunities that we have to avoid the mistakes of the past, reset unjust extractive patterns and enable developing countries to climb the development ladder. We thank the co-facilitators for including paragraph **46 on Trade in Critical Minerals and Commodities**. However, we think that the current framing of this section risks perpetuating dynamics that prioritise external interests over the developmental needs of resource-endowed countries.

This section should be reframed to:

* empower these countries to leverage development cooperation support, including Aid for Trade, to prioritise value addition and beneficiation of critical minerals in alignment with their national development strategies.
* There should also be a commitment to according developing countries **the full policy space and flexibilities in trade, investment and industrial policies** to ensure the use of the critical minerals for their structural transformation, industrialisation, and beneficiation.
* We strongly recommend emphasizing recipient country sovereignty in determining which minerals and related industries to prioritise, ensuring that partnerships focus on long-term economic transformation, local capacity-building, and equitable benefit-sharing.
* Include a commitment by development partners to adhere to binding commitments for transparency, fair pricing, and the transfer of skills and technology to foster sustainable industrialization and inclusive growth in these countries.

With regard to paragraph 46 (b), we should re-insert the idea that the “the framework should not be used as a unilateral trade barrier,” which was a critical safeguard contained in the corresponding paragraph in the UNSG’s Panel Report (but which has been omitted).

**DEBT AND DEBT SUSTAINABILITY**

Given the likelihood of impending debt walls, it would be important to focus also on practical high-commitment outcomes we could hopefully all agree on that will actually be implemented:

Concessional finance very important part of solution. Thank you for the language on the AfDB- IADB hybrid capital facility. A call for robust support for the African Development Bank replenishment due in 2025 should also be reflected in the document.

Regarding paragraph 50: we agree with others that MDBs should not participate in debt relief. That would be tantamount to asking poor countries to bear the costs of debt relief. It makes no sense to weaken MDB’s while at the same time calling on them to do more heavy lifting on development.

On para 50 (a) we should be more specific here or else it could also include high income countries. Therefore, we would propose the specific reference to 'highly indebted developing countries"

**DATA, MONITORING AND FOLLOW UP**

Some of the most important outcomes in the document are in this section. Without specific commitments that are measured and monitored and a process of mutual accountability, we will not make real progress.

On 65 (a) we agree that the Inter-Agency Task force should be tasked with developing an indicator framework consisting of specific, measurable indicators for each commitment to track progress.

On 65 (d), consideration should be given **to designating a national oversight team** with sufficient convening power across a spectrum of stakeholders, including government, private sector, financial institutions, development partners, non-state stakeholders. The aim to build a broad constituency for reforms and leverage the innovations and collaboration of this wide group of stakeholders bringing together the building blocks of the INFF.

We also fully support 65 (e) including the proposal for presenting Financing Reviews and the idea of voluntary national reviews as a form of peer review.

We would also like to take this opportunity to thank the co-chairs, the co-facilitators, and the secretariat for your excellent stewardship of this Prepcom, as well as a special word of thanks to other stakeholders, especially civil society, for their active contributions which have enriched our deliberations.

I thank you