**4P Secretariat**

**Submission for the**

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

**issued by the FFD-4 co-facilitators**

**Cover note:**

The [Paris](https://pactedeparis.org/en.php) [Pact for People and the Planet (4P)](https://pactedeparis.org/en.php) was launched in June 2023 by world leaders with the aim to accelerate efforts to reform the international financial architecture. Today, 68 countries from all continents and all income levels work together through the 4P in a spirit of inclusiveness and equality.

The 4P Community agreed to provide a contribution to the FfD-4 call for inputs during the 4P Implementation Committee meeting held on 5th September 2024, with the aim to help build consensus and raise the level of ambition for the FfD-4 process, recognising it as a critical milestone to deliver a fairer and more effective financial system.

This contribution builds on the 4P principles, the recent [4P Leaders Communiqué](https://www.linkedin.com/feed/update/urn%3Ali%3Aactivity%3A7245177958808641537/?msgControlName=view_message_button&msgConversationId=2-ODkyYmVlN2YtMGQ4Mi00MjRlLTgxZmEtNDIxYTUyNWYzNzc5XzAxMg%3D%3D&msgOverlay=true), the work of the 4P Coalitions, and a recent consultation with 4P Coalition Leads and representatives of partner initiatives held on 23rd September in NY with Macky Sall and the 4P Secretariat. It benefitted from written comments from 4P countries and discussions during a consultation with 4P permanent missions to the UN, held on 22nd October 2024. However, this contribution does not reflect the views of all 4P countries and is therefore **submitted on behalf of the 4P Secretariat.**

1. **A global financing framework (including cross-cutting issues)**
* We need an international financial architecture that is more efficient, more equitable and fit for the world of today and a new paradigm for financing for development. This is essential to meet sustainable development goals and to foster a greener, more inclusive, and more peaceful world.
* We support the 4P principle that no country should have to choose between fighting poverty and saving the planet. The world cannot solve global challenges such as the development, climate and biodiversity (including forests and oceans) challenges in silos. They are interdependent and will all require affordable, new and additional financial resources and investments, in particular in developing countries. The international financial architecture should be better fit to deliver on development and climate as part of a unified agenda, in line with each country’s national priorities and objectives, helping to eliminate poverty and preserve the planet.
* We will accelerate efforts to enhance the voice and representation given to developing countries and emerging economies in the governance structures of the international development finance institutions and other international economic and financial institutions to deliver more effective, credible, accountable, and legitimate institutions. We welcome the G20 Call to Action on Global Governance Reform. We welcome the decision to create a 25th chair at the IMF Executive Board to enhance the voice and representation of Sub-Saharan Africa. We further look forward to the 2025 Shareholding Review of the International Bank for Reconstruction and Development (IBRD).
* We are committed to working with the 4P, Bridgetown Initiative as well as the V20, to build and implement a common and concrete joint agenda to reform the global financial framework.
1. **Action areas**
	1. **Domestic public resources**
* We need to increase domestic finance mobilisation: both capacity to raise taxes and a stronger domestic savings and financial system, leveraging domestic savings and pension fund. We need to support measures to build fairer and more effective tax systems, and provide greater support to capacity building and peer-to-peer expertise sharing to enhance domestic resource mobilisation in partner countries so that all countries are able to better finance the investment needs consistent with the SDGs and Paris Agreement. FfD-4 should include targets for domestic resources (e.g. tax-to-GDP ratios) and also focus on the quality of taxation by emphasising the need for taxation based on the principle of respect for tax sovereignty to be fair and progressive with a view to contribute to increased equality to the benefit of the poor and vulnerable. This also implies addressing the need to tackle tax avoidance, tax fraud and tax evasion. We are committed to tax transparency and to fostering more progressive taxation based on progressive income-based taxes complemented by the taxation of wealth, inheritances, and progressive taxation of capital gains.
* We are committed to strengthening the reform of the international tax cooperation inclusively within the UN framework/ system in order to ensure a fair and effective international tax system that takes into account the different needs, priorities and capabilities of all countries. The UN Tax Convention and combating predatory tax evasion should be highlighted as vital components of addressing the imbalance in resource mobilisation.
* To strengthen an international financial architecture framework that integrates both climate and development concerns, the mandates of public development banks should align around a twin mandate for ending poverty on a liveable planet. The role of Public Development Banks (PDBs), notably national and subnational, needs to be recognised in the assessment, the design and the implementation of the national green investment strategy in Nationally Determined Contributions (NDCs), Long-Term Strategies (LTS) and National Biodiversity Strategies and Action Plans (NBSAPs).
* There is a need for cross-country sharing of good practices from national deposit banks on mobilising national resources and long-term investments for sustainable development, so that countries can consider establishing such banks to grow the domestic finance ecosystem.
* We need to step up efforts to combat illicit financial flows (IFF) and provide the necessary technical assistance, institutional and human capacity building, as well as financial resources to do so. We call for enhanced transparency through comprehensive reporting on SDG 16.4.1 related to Illicit Financial Flows (IFFs) by all countries, using standardised and validated methods, and for stronger international cooperation on the fight against IFFs. We propose the establishment of capacity-building programs for tax authorities to better combat IFFs, particularly by enhancing data collection, forensic accounting, and cross-border collaboration.
* Alongside mobilising development finance, we need to ensure that resources are spent efficiently and effectively, for impact. Therefore, we need to enhance the effectiveness and impact of development financing through robust public financial management systems and greater fiscal transparency.
* To fill the climate and development financing gap, there is a need to mobilise new, additional, predictable, and adequate financial resources which do not exacerbate existing debt burdens. This includes global solidarity levies that can be used to generate grant finance  or inclusive and just ecological transitions, whilst addressing structural causes of global inequalities by ensuring under-taxed and polluting sectors of the economy contribute their fair share to public finances. The 4P Global Solidarity Levies Task Force (GSLTF) has identified significant potential around enhanced international coordination and implementation of levies such as maritime shipping levy, aviation levy, fossil fuel levy, financial transaction tax, and carbon pricing – all of which are based on some degree of existing practices and which if scaled and allocated to climate and development finance, could contribute to raising at least USD 100bn per year. Initiatives such as the GSLTF can gain further momentum in the future, by i) identifying the profiles of countries subjected to the levy and ii) describing the revenues reallocation mechanisms.
* Domestic natural resources and building local sustainable value chains should be included in the focus of FfD4. Developing value chains from not only extraction, but complementary industries in processing and manufacturing is key to build industries and scale up job creation in developing countries and to increase domestic revenue from the extraction industries. As the critical minerals for energy transition is a booming market these years, we must ensure the value chains in this sector will be green, sustainable and domestically anchored while scaling up and expanding the markets. Accordingly, it is important to increase the development finance as well as the technical assistance to developing countries in the form of capacity building and technology transfer in order to enable them to be successfully engaged in this regard.
	1. **Domestic and international private business and finance**
* We uphold the 4P principle that meeting global challenges will crucially depend on the scaling up of private capital flows to achieve the SDGs, according to national priorities, as well as to transform emerging and developing economies, for a net-zero and nature-positive world.
* Today USD 1 of public money leverages USD 0.25 of private money on average: the leverage needs to be multiplied by at least 4 to meet the commitments made by MDBs and IFIs in June 2023 of reaching “1 to 1”. To this end, we recognise the need to ensure greater transparency of and the standardisation of blended finance products, as well as the need to better understand how blended finance arrangements-specific risk profiles are reflected in credit ratings and prudential frameworks. Work could be initiated to lead to the creation of blended finance as a new risk asset class, in ways that do not jeopardise the sustainability of investments or partner countries’ specific development interests.
* We support the work of the 4P Coalition on Realigning Perceived and Real Investment Risks in EMDEs to review the possible unintended consequences of regulatory and prudential frameworks on investments in developing countries, in particular with a view to update, if necessary, prudential capital requirements for banks, insurance companies and pension funds to reflect the actual risk of investment in emerging markets and developing economies.
* We support the work of the 4P Coalition on Realigning Perceived and Real Investment Risks in EMDEs to develop a roadmap and establish a constructive dialogue with regulators, credit rating agencies, private investors, governments, local and regional development banks and other players to enhance the transparency and accuracy of credit ratings and country risk assessments. This including through better and more transparent data to improve risk pricing, building on the Global Emerging Markets Risk Database (GEMs) and other data sources to develop a GEMS 2.0 and explore other solutions to ensure that data is enabling rather than inhibiting private capital mobilisation for the SDGs, climate and biodiversity goals.
* Efforts need to be strengthened to diversify sources of financing for enterprises, particularly SMEs in EMDEs, including through the development of local capital markets, building investible pipeline, increasing local currency financing, supporting innovative and innovative financing tools.
	1. **International development cooperation**
* We support the 4P principle on the need for a financial boost with more public resources to support developing countries lifting their population out of poverty while protecting the planet.
* Greater efforts are needed to ensure that bilateral and multilateral providers of development co-operation work better as a system for greater impact and scale.
* We urge developed countries to fulfil their respective official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to developing countries and 0.15 to 0.20 per cent of ODA/GNI to the least developed countries.
* We further call on MDBs to maximize their development impact, including by increasing their geographical and female representation. MDBs must work more effectively as a system to add value while respecting their individual mandates. Continued focus on coordination between MDBs and other relevant stakeholders is necessary to ensure development co-operation effectiveness. Improving the existing collaboration among the MDB system, national and subnational development banks, including through the Finance in Common (FiCS) initiative, could unlock investments to reach SDG and Paris-related goals.
* MDB-reform should raise their ambition and continue implementing and reponrting on the G20’s Capital Adequacy Framework (CAF) recommendations. We commend the progress made so far on CAF implementation with measures already identified that have the potential to unlock up to USD 357 billion
* in additional lending headroom to be deployed by the major MDBs in the coming decade. Leveraging resources available, both paid-in and the callable capital, to its fullest must remain a key priority. This include adequately leveraging callable capital and accelerating progress on hybrid capital structures, including SDR-based structures.
* In line with the Pact of the Future, adopted by UN Member States on 22. September 2024, we encourage MDBs to enhance private capital mobilization through supporting enabling conditions, innovative risk-sharing instruments, including in public markets, increased local currency financing, building bankable pipeline and the standardisation of guarantees. We also support new partnerships to maximize their development impact. This, along with the implementation of all appropriate CAF recommendations, would maximize the leverage effect of potential capital increases.
* We reiterate the importance of accelerating the reform of the international financial architecture to mobilize additional financing for sustainable development, respond to the needs of developing countries and direct financing to those most in need, including the invitation for international financial institutions, international organizations, and multilateral development banks to consider the use of the multidimensional vulnerability index, as appropriate and as a complement to their existing practices and policies in line with their mandates;
* We reiterate the commitment to develop a framework on measures of progress on sustainable development to complement and go beyond gross domestic product, reflecting progress on the economic, social and environmental dimensions of sustainable development, including in the consideration of informing access to development finance and technical cooperation.
* We also support peer-initiatives such as the G20 Compact with Africa which aims at policy reforms and promotion of private investment opportunities in African member countries. Going forward, we want to enhance cooperation within the CwA by increasing its political visibility, strengthening international cooperation and securing sufficient financing.
* We welcome replicating innovative financing models such as the JETP, allowing to find a balance between global cooperation (in particular on climate action), national priorities and international commitment. These sort of mecanisms should consider in the future, a significative share of grants, in the financing repartition.
	1. **International trade as an engine for development**

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* 1. **Debt and debt sustainability**
* We must build on recent successes to improve the existing mechanisms for debt treatments, starting with the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative. Despite its capacity to produce positive results for indebted countries, through recently concluded debt treatments negotiated, the Common Framework still have room for improvement. The process is still too slow, lacking clarity on procedures, and Comparability of Treatment, excludes Middle Income Countries, and does not include enough support for applicant countries. We need to streamline processes and enhance transparency and coordination among creditors to strengthen the Common Framework and make it a more effective tool for debt treatment. Beyond improving speed, the Common Framework also requires a comprehensive reform to proactively address countries at risk of default.
* We encourage the IMF and World Bank to make proposals in coordination with the G20 on a three-pillar country-specific solution for solvent countries facing liquidity challenges, which would comprise support for country-led and ambitious macroeconomic reforms and investments, with a focus on domestic resource mobilization, concessional financing from the international financial institutions, in coordination with voluntary contributions from bilateral creditors, creating favourable conditions to catalyse private capital flows.
* To ease developing countries’ debt burdens and vulnerabilities, innovative solutions and instruments should be explored. Debt swaps for climate, nature or food could be enhanced and scaled up on a case-by-case basis, and a multilateral approach could be developed to simplify and improve their design, transparency and financing while acknowledging they are just part of the answer to debt issues.
* Sustainability-linked bonds can create incentives to meet green growth targets and environmental and social standards in line with the Paris Agreement.
* The adoption of contingent debt clauses such as climate resilient debt clauses (CRDC) needs to be scaled up based on good practices and in ways that do not translate into increased borrowing costs for vulnerable countries.
* Debt sustainability analysis need to be improved and to better take into account the impacts on and linkages with nature conservation, climate change and environmental sustainability.
* We welcome the achievement of the international community exceeding the USD 100 billion global ambition of voluntary contributions in Special Drawing Rights (or other equivalent) from advanced to vulnerable countries set by G20 in 2021 and achieved during the Summit for a New Global Financial pact in June 2023. Efforts need to be enhanced for the delivering pledges made and ensure the pledged resources are channelled to the countries in need. We welcome the proposal made by the African development Bank and the Interamerican development bank and support driving forward its implementation with a view to FfD-4.
* We call on all countries that are in a position to do so to consider rechannelling at least half of their SDRs from the 2021 allocation. 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 (RST) to scale up climate action; and iii) 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.
* Capacity building for sovereign debt management in developing countries needs to be enhanced, especially at country level. Particular emphasis should be placed on risk management, contingency planning, and policy formulation, enabling countries to negotiate better and manage debt risks effectively.
* Measures need to be taken to reduce foreign exchange (FX) risks. This includes ensuring well-functioning FX markets in developing countries and well-functioning local capital markets in EMDEs. The international community can play an important role by both supporting countries with capacity building, particularly on capital market development, scaling up affordable local currency financing from MDBs, DFIs and others.
	1. **Addressing systemic issues**
* We support MDBs assessment of the alignment of their financial resources adequacy to their strategies to address development needs and global challenges and when needed general and/or selective capital increases based on MDBs board requests.
* We support a successful replenishment of IDA, as the largest multilateral concessional source, that should ensure an adequate financing capacity for the poorest countries, including contributions from both new and existing donors.
* We look forward to a successful seventeenth replenishment of the African Development Fund (ADF17) next year.
* We welcome the adoption by the IMF of revised ’s review of charges and surcharge policy to reduce the financial cost of the Fund lending help alleviate the financial burden on borrowing countries while preserving their incentive functions and safeguarding the Fund’s financial soundness.
* We welcome the World Bank's announcement of its New Equity-to-Loans Ratio, which will strengthen its lending capacity and make it more affordable to meet development needs. We encourage the ongoing leveraging of its balance sheet and the effective allocation of its resources to tackle the dual challenge of climate and development.
	1. **Science, technology, innovation and capacity building**
1. **Emerging issues**
* Improving clean cooking in emerging and developing countries is crucial to accelerate development and successfully achieve a fair climate transition. Clean cooking accessible for all plays an essential role in achieving sustainable development goals. Ensuring affordable access to cleaner and modern cooking solutions can deliver benefits in terms of health, productivity, gender equality, forest preservation, biodiversity, and emissions reductions. The development of clean cooking carbon credits could play a significantly role in scaling clean cooking efforts and make a people-centred energy transition. This challenge brings together financial, ecological and political aspects, and requires a coordinated approach.
1. **Data, monitoring and follow-up**
* We support the establishment of an operational monitoring and follow-up mechanism to strengthen accountability, increase transparency and review compliance with commitments adopted in FfD-4 without implying an additional administrative burden for the countries.
* We stress the importance of data monitoring and indicators related to development financing flows. Collecting high-quality and reliable data for sustainable development is essential to enhance transparency and efficiency of financing for development as well as for policymaking to monitor progress towards the SDGs. There are well-established indicators, which remain essential, such as Official Development Assistance (ODA). In addition, the Total Official Support for Sustainable Development (TOSSD) indicator, measuring and monitoring all resources intended to promote sustainable development, can provide developing countries with a clearer picture of the support they receive.
* Capacity building among fiscal institutions in developing countries must be promoted to account for the scenarios and risks to public finances from climate change and nature-related risks.
1. **Overarching reflections**