**FfD4 - Call for Inputs for an Elements Paper on Financing for Development**

**Contribution from Brazil**

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

Achieving the SDGs requires decreasing the existing financing gap and creating fiscal space to allow countries, especially developing ones, to invest in sustainable development. We emphasize that additional and timely financing is essential to reach the SDGs by 2030. In this regard, we stress the urgent need for the adequate mobilization of resources, including through reforming the international financial architecture (IFA).

We call for strengthening the leadership role of the UN in global economic governance, and the reform of the IFA. We welcome the initiative to convene a Biennial Summit at the level of Heads of State and Government to strengthen existing links and coordination between the UN and the International Financial Institutions (IFIs). However, we must ensure that the convening of this Summit does not result in multistakeholder initiatives that risk undermining existing UN member state-led negotiations of the UNGA Second Committee and the ECOSOC FfD processes.

We call for undertaking governance reforms at the IFIs and Multilateral Development Banks (MDBs) and we underscore the need for enhancing representation and voice of developing countries in decision-making in the IFA, especially the IMF and the World Bank, to deliver more effective, credible, accountable and legitimate institutions.

We celebrate the G20 MDB Roadmap towards Better, Bigger, and More Effective MDBs, with a continued focus on addressing the development needs of low and middle-income countries. We call on the MDBs to continue ambitious Capital Adequacy Framework (CAF) review implementation, establish regular reviews of the alignment of their resources and strategies, and unlock substantial additional lending. We also support the rechanneling of SDRs through MDBs, which has the potential to further expand lending capabilities and improve access to FfD.

We highlight that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. Taking this into account, the Brazilian Presidency of the G20 created a Task Force to launch a Global Alliance Against Hunger and Poverty. The Alliance will take concrete steps to mainstream a set of established domestic public policy instruments that proved successful in developing countries, including targeted cash transfers, school meal programs, support for family farming, single-registry systems for low-income persons and families, and social security mechanisms. It will be open to the participation not only of G20 members, but of all countries, which will have access to technical cooperation and financial funds.

Considering the existing challenges of development finance for global hunger, malnutrition and poverty eradication, which is highly fragmented as well as resource constrained, we call for further work to analyze the tradeoffs and bottlenecks in the current development finance landscape and we invite relevant stakeholders to voluntarily identify and apply ways to mobilize, coordinate, align, pool and/or combine resources, where appropriate, in an impact-oriented and cost-effective way, in favor of country-owned implementation of policies and programs in the Alliance’s policy basket. We invite all Alliance members to collaborate and present ideas for harnessing financial resources and coordinating funds in support of key policies within the Alliance policy basket, globally and/or at country level, while respecting international obligations and commitments.

In addition, we call upon developed countries to fully deliver on their respective ODA commitments that complement and encourage development financing from all other sources, including public and private, domestic and international, in a timely manner, and contribute to addressing the financing needs of developing countries.

We support measures to increase MDBs’ financial capacity. In particular, we underscore the importance of the International Development Association (IDA) as the single largest source of leveraged international finance in fighting poverty and hunger and malnutrition and look forward to having these priorities as an important component of a successful IDA 21 replenishment in 2024. We recognize the successful outcome of the International Fund for Agricultural Development 13 (IFAD13), the Loss and Damage Fund, and the Asian Development Fund 14 replenishment negotiations and encourage further pledges from those that have not yet made them, and we look forward to a successful replenishment of the African Development Fund next year. We also welcome the upcoming replenishment of the Global Finance Facility and redoubled efforts to mobilize new resources through the Global Agriculture and Food Security Program (GAFSP). We call upon parties to scale up their contributions to funds that are relevant for sustainable development, such as the Kunming-Montreal Global Biodiversity Framework (KMGBF) and the Global Environment Facility (GEF), which will undergo its next replenishment in 2025.

**II. Action areas**

**a. Domestic public resources**

FfD4 should step up commitments to domestic and international tax reforms, strengthening tax transparency and continuing to foster a global dialogue on fair, progressive and redistributive taxation, such as fair and equitable distribution of tax burdens.

Brazil strongly supports the deepening of discussions on international tax cooperation, currently taking place at the UN. We believe that a UN Framework Convention on International Tax Cooperation (UNFCITC) could not only build upon other efforts - such as BEPS, and the G20, for instance - but also move forward on establishing transparent international tax rules and procedures that respond to the needs, priorities, and capacities of all countries, especially those of the developing world. A robust and ambitious UN Convention can have an important role in rebalancing the international distribution of tax income to the benefit of developing countries. It can contribute to solve current problems such as tax evasion, transfer price abuses, base erosion, illicit financial flows, mispricing of commodities and tax avoidance by high-net-worth individuals (HNWI).

While strongly supporting the work of the UNFCITC, we encourage the simultaneous development of early protocols in the context of the convention, in particular a protocol to address tax evasion and avoidance by HNWI and ensure their effective taxation.It is fundamental for all taxpayers, including HNWI, to contribute their fair share in taxes.Progressive taxation is one of the key tools to reduce domestic inequalities, strengthen fiscal sustainability, facilitate budget consolidation, promote Strong, Sustainable, Balanced and Inclusive Growth (SSBIG), and facilitate the achievement of SDGs.

**b. Domestic and international private business and finance**

At FfD4 PrepCom1, emphasis was placed on domestic policies aimed at creating an enabling domestic environment and in aligning private business and finance with the SDGs. However, it is also necessary to create an enabling external environment, so that developing countries can fully participate in and benefit from international trade and financial systems.

An enabling external environment could include the following six elements:

1) Trade and market access: ensuring fair and equitable access to international markets for goods and services produced by developing countries. This includes reducing tariffs, non-tariff barriers, and subsidies that disadvantage developing countries. What we are observing today, unfortunately, is the opposite of this, with the increase in protectionism.

2) Financial resources and investment: providing adequate financial resources through development aid, foreign direct investment, and access to IFIs. This includes promoting investment in infrastructure, human capital, and productive sectors.

3) Technology transfer and innovation: facilitating the transfer of technology and promoting innovation in developing countries. This involves supporting research and development, technology licensing, capacity building in technological fields, and valuing the importance of social technologies in traditional communities. It also includes expanding the bioeconomy.

4) Infrastructure development: supporting the development of infrastructure such as transportation, renewable energy, telecommunications, and water supply systems. This is essential for fostering economic activities, trade facilitation, and connectivity within and across borders.

5) Creating an international tax cooperation architecture that allows taxation in countries where economic activities take place, thus avoiding tax evasion and base erosion, and allowing developing countries to achieve the fiscal space necessary to invest in the SDGs.

6) Combating illicit financial flows, promoting and facilitating the return of stolen assets.

**c. International development cooperation**

Financing is a key driver in accelerating the 2030 Agenda implementation. Developing countries continue to face rising SDG financing gap estimated between USD 2.5 trillion and 4 trillion annually. Achieving the SDGs requires new, additional, quality, adequate, sustainable, and predictable financing.

We stress the need to increase the share of ODA that is effectively disbursed in developing countries. We also call for the strengthening of innovative financial instruments that promote sustainable development, such as the Tropical Forests Forever Fund. ODA remains essential as a catalyst for financing sustainable development and advancing the achievement of SDGs in developing countries.

The persistent decline in ODA reflects a concerning trend in international cooperation towards sustainable development. Along with other major development challenges faced by developing countries, unfulfilled ODA commitments continue to exacerbate the growing challenges faced in the areas of poverty, hunger, health, education, the environment, and the reduction of racial and gender inequalities. ODA targets have rarely been met in more than 50 years, therefore it is imperative to address the impact of declining ODA commitments on challenges in both development and financing.ODA providers should reaffirm their respective ODA commitments, including that by many developed countries to achieve the target of 0.7% of ODA/GNI, and 0.15 to 0.20% of ODA/GNI to least developed countries.

There is a need to improve coordination among development cooperation partners, including governments, international organizations, private sector, civil society, the scientific community, academia, philanthropy and foundations, parliaments, local authorities, volunteers and other stakeholders, as a means to enhance development effectiveness and the optimal use of available financial resources in an equitable manner.

We witness a significant multiplication of donor channels in international development cooperation in recent years, many of which operate outside the multilateral system. This fragmentation can pose aid coordination challenges, such as increased transaction costs, unsustained and sometimes conflicting policies, and could stretch recipient countries’ capacity to manage diverse requirements and implement coordinated policies. We have also noted an increase in so-called global projects, with little or no transparency regarding the allocation of resources among beneficiary countries. This lack of transparency undermines the principle of ownership and makes it difficult to monitor both the actions and impacts of these initiatives.

This makes it vital to promote recipient countries ownership and leadership by creating an enabling environment and a long-term framework for international financial flows, which will help streamline aid mechanisms. It will also facilitate coordination and continuity amongst diverse forms of development cooperation to ensure they are harmonized and maximize their contribution to long-term national development priorities and country-owned policy and program implementation for effective and efficient poverty and hunger alleviation efforts.

The importance of North-South cooperation should also be reaffirmed, as it remains a fundamental catalyst to sustainable development. As North-South cooperation is the main channel of development financing, the international community must uphold the principle of "common but differentiated responsibilities" in addressing a fair and equitable distribution of financial resources to support sustainable development efforts.

South-South cooperation is also an important element of international cooperation for development, but as a complement, not a substitute, to North-South cooperation. We also support to strengthen triangular cooperation as a means of bringing relevant experience and expertise to bear in development cooperation.

We encourage discussions on innovative methods to measure the multi-dimensionality of development to promote effective universal access to development finance, not limited to the per capita income.

**d. International trade as an engine for development**

While fully acknowledging the critical importance of addressing climate change, we reaffirm the imperative to ensure that climate actions, whether undertaken unilaterally or collaboratively, do not unfairly discriminate against any trading partners or serve as disguised barriers to international trade.

The adoption of sustainability standards by some countries should avoid the creation of non-tariff barriers to trade, comply with each country’s national criteria and promote sustainable production chains, but not at the expense of sovereignty or the right to development.

Moreover, many developing countries face unilateral coercive measures, which not only undermine the principles enshrined in the UN Charter and international law but also severely threaten the freedom of trade and investment, invariably disrupting trade flows, exacerbating poverty, racial and gender inequalities, and hindering development efforts in targeted countries. There is an urgent need for their elimination.

Most of the new generation of international investment agreements aim to preserve space for governments to develop public policies (“right to regulate”). In Brazil, for instance, we have a model of Cooperation and Facilitation Investment Agreements (CFIA), which emphasizes cooperation and facilitation as key strategies to attract foreign direct investment. The CFIA also focuses on dispute prevention mechanisms. Notably, it does not include Investor-State Dispute Settlement provisions, relying instead solely on State-State dispute settlement.

There have been several instances where public environmental policies, for example, were hampered by court rulings that resulted in costly compensations. Some countries are even discussing the possibility of devising carve-outs to exclude the environmental sector from investor-state litigation. Thus, we believe the topic of the relationship between investor-state litigation and the implementation of the 2030 Agenda could be included in the preparatory process of FfD4. It also bears a relationship with the mobilization of domestic resources. If governments have to pay high sums in litigation cases, this creates additional budget constraints and makes the implementation of the 2030 Agenda even more difficult.

Another central issue is reforming the WTO and preserving the universal nature of the global trade regime. The WTO is the only multilateral institution holding the necessary mandate, expertise, universal reach, and capacity to lead on the multiple dimensions of international trade discussions. In fact, the WTO constitutes the only effective regime to manage divergences and coordinate positions.

In particular, the reform must also reinforce the centrality of the development dimension in the WTO. As the Parties to the Marrakesh Agreement acknowledge, trade must be conducted with a view to improving living standards, creating jobs, increasing real incomes, and expanding global trade in goods and services, while enabling the optimal use of the world’s resources in accordance with the objective of sustainable development. Reform must therefore aim to ensure that the WTO contributes to developing countries fully benefiting from the global trading system. Furthermore, the reform of the Organization needs to improve all its functions through an inclusive, member-driven and transparent process, aiming at achieving a fully and well-functioning dispute settlement system accessible to all members.

Brazil would also like to highlight the need to reduce gender and racial gaps in trade, as doing so not only promotes equality but also boosts sustainable economic growth, given that women tend to reinvest a greater share of their income in their families and communities. Brazil also stresses the importance of having gender-and-race-disaggregated data and the consequent need to create or strengthen such databases to guide the formulation and implementation of effective trade policies. The effective implementation of such policies, in turn, can also benefit from the establishment or strengthening of functional and voluntary monitoring mechanisms, both at the national level or with the support of international organizations.

**e. Debt and debt sustainability**

Several developing countries are facing debt challenges, which include high interest rates and debt service burdens. While global inflation significantly eased in 2023, major central banks in developed countries have signaled their intention to keep interest rates higher for longer. A long period of tighter credit conditions will keep borrowing costs for developing countries at a high level, aggravating debt sustainability risks and adding to debt service burdens.

Intensified action is needed across three priorities: (i) strengthening debt crisis prevention, including through sound debt management and transparency; (ii) finding solutions for countries that face severe fiscal constraints, debt overhangs and insufficient reforms to address underlying problems, to invest in the SDGs; and (iii) a more effective debt crisis resolution mechanism.

Thus, we call for improved international debt mechanisms to support debt review, debt payment suspensions and debt restructuring, as appropriate, with an expansion of support and eligibility to all vulnerable countries in need. We recognize the need to consider a concrete tool to incentivize, encourage or enforce the participation of private creditors in debt treatments alongside the official sector to ensure the comparable treatment of creditors.

We also call for greater efforts to foster debt sustainability, including by strengthening information-sharing and transparency among all creditors and borrowers, while respecting commercially sensitive information, to make sure that debt sustainability assessments are based on comprehensive, objective and reliable data and to scale up technical assistance in debt management. We acknowledge that transparency enables more effective debt management by debtors and better risk management by creditors. We reiterate that debtors and creditors must work together to prevent and resolve unsustainable debt situations.

Moreover, we call for the Secretary General in collaboration with the Inter Agency Task Force on FfD and member states to review the sovereign debt architecture, with a view to making concrete recommendations for reform to FfD4, including by making proposals for establishing effective, efficient, equitable and comprehensive multilateral debt mechanisms, an assessment of the spillover impact of developed countries macroeconomic policies adjustment and IFIs policies on the borrowing costs and debt burdens of developing countries, an assessment of the principles of responsible lending and borrowing, for improving transparency, and for upgrading tools for debt sustainability analysis.

**f. Addressing systemic issues**

The existing IFA has been unable to support the mobilization of stable and long-term financing for investments needed for achieving the SDGs and coping with the climate crisis in developing countries. Its deficiencies include: (i) higher borrowing costs for developing countries in financial markets; (ii) vast variation in countries’ access to liquidity in times of crisis, with limited access to concessional financing and only a small share of SDRs allocated to developing countries; (iii) dramatic underinvestment to face global challenges, including pandemic preparedness and climate action; and (iv) volatile financial markets and capital flows, repeated global financial crises and increased debt-vulnerability, with dire consequences for sustainable development.

The intersection of race and gender continues to affect disproportionately women and other marginalized groups worldwide in their legitimate right to development. It is crucial to understand racism as a practice that not only devalues human beings but also determines the unequal distribution of resources and power globally.

This is why Brazil stresses the need to reform the IFA to help deliver a systemic shift towards a more inclusive, just, peaceful, resilient and sustainable world for people and planet, for present and future generations. We see IFIs and MDBs reform as a key for large-scale SDG-related investments to better address global challenges.

We reiterate that the IFA, including its business models and financing capacities, must be made more fit-for-purpose, equitable and responsive to the financing needs of developing countries, and we also consider that the selection of the heads, management and staff of the IFIs should be based on equitable geographical criteria to broaden and strengthen the voice and participation of developing countries in international economic decision-making, norm-setting and global economic governance.

In relation to the IMF more specifically, we call for the suspension of its surcharge policy with immediate effect. We also underscore the importance to realign quota shares to better reflect members’ relative positions in the world economy, while protecting the quota shares of the poorest members. We look forward to the development, by June 2025, of possible approaches as a guide for further quota realignment, including through a new quota formula, under the seventeenth general review of quotas by the Executive Board of the IMF.

**g. Science, technology, innovation and capacity building**

We acknowledge the contribution of science, technology and innovation to industrial development in developing countries and as a critical source of economic growth, economic diversification and value addition. In that context, we call for the provision of the necessary means of implementation to developing countries to strengthen their scientific and technological capacities.

We call for the promotion of new research, the development and transfer of the necessary technologies, and access to the existing ones, including in the areas of food and nutrition, health, water and sanitation, renewable energy, and bioeconomy in order to contribute to the eradication of poverty in all its forms and dimensions, and the achievement of sustained, inclusive and equitable economic growth, human wellbeing and sustainable development.

**III. Emerging Issues**

Faced with an alarming increase in humanitarian needs and the insufficiency of financing to address them amidst multiple crises, rising fragility and emergency levels of climate disasters and acute food insecurity and malnutrition, we underscore the critical importance of investing in resilience, as well as better and more impactful crisis prevention, preparedness, and response. We recognize that bioeconomy constitutes a fundamental tool to address these challenges and promote sustainable development in its three dimensions. We look forward to FfD4 as a critical opportunity to identify priority actions to help close the resource gap needed to end poverty and hunger, and other structural inequalities by 2030.

Developing countries face increasing financing needs, especially those particularly vulnerable to the adverse impacts of climate change, leading to a growing demand for grants and concessional finance. Therefore, loans at market rate of return cannot be termed as climate finance. Rather, they represent a reverse capital flow from developing to developed countries when repayments are considered. Climate finance must be additional, grant-based, distinct from ODA and should not come at the expense of assistance for other development needs, including poverty eradication.

**IV. Data monitoring and follow-up**

There has been a strong push to use other metrics, such as the OECD´s TOSSD. We have to take into account that TOSSD has shortcomings, since it artificially inflates the numbers of financing for sustainable development, by including private commercial investments and trade related transactions. In some cases, there are even attempts to include investments by developed economies in their own territories. This is a complete distortion. TOSSD´s approach erases the distinction between North and South, as if that economic disparity had disappeared. It also takes the focus away from developed country´s responsibility with regards to ODA. Therefore, it is crucial we preserve traditional metrics such as ODA, when it comes to measuring developed countries’ contribution to FfD.

We also encourage the establishment of an enhanced transparency framework, under the auspices of the UN, to harmonize concepts and standards as well as monitor ODA financial flows. This mechanism should be transparent, participatory, and responsive to the needs of developing countries, which are the primary beneficiaries of such assistance. By enhancing accountability and ensuring that resources are allocated efficiently and equitably, this mechanism would align aid flows with the priorities and challenges faced by recipient nations, thereby fostering more effective and sustainable development outcomes.

In addition, we welcome the development of an initial conceptual framework for the measurement of South-South cooperation, which marks a breakthrough in its measurement – as well as the role of UNCTAD co-custodianship in undertaking the work on this framework, including on capacity-building, led by countries from the global South and building on country-led mechanisms –, encourages developing countries to report to UNCTAD to support the further improvement of the conceptual framework, which includes data on complementary development finance flows between developing countries, and acknowledges the importance of exploring possible options for the measurement of triangular cooperation.

It is crucial to maintain the Inter-Agency Task Force´s reporting and we encourage the development of comprehensive quantitative FfD indicators to strengthen the follow-up of FfD4 within the framework of ECOSOC.

**V. Overarching reflections**

The provision and mobilization of adequate means of implementation to developing countries include, among others: i) access to grants and concessional finance by all developing countries, in particular low- and middle-income countries; ii) fulfilment of existing commitments, including ODA and climate finance by developed countries, and announcement of new commitments; iii) improved global sovereign debt architecture with the meaningful participation of developing countries, allowing for fair, balanced and development-oriented treatment; iv) elimination of the surcharge policy by the IMF; v) scaling up debt-swaps for SDGs to allow developing countries to use debt service payments for investments in sustainable development; vi) voluntary rechanneling of unutilized Special Drawing Rights (SDRs) to developing countries as well as the new allocation of SDRs; vii) preventing and combating illicit financial flows that drain resources from developing countries and return of stolen assets; viii) strengthening international tax cooperation to ensure its inclusivity and effectiveness; xix) refraining from promulgating and applying unilateral economic, financial and trade measures as these impede the full achievement of economic and social development in developing countries, xx) increasing Foreign Direct Investment flows to developing countries; and xi) streamlining operational processes and reducing transaction costs to ensure that resources effectively reach those in need.