**Impact Coalition on International Finance Architecture and Financing for Development:**

**Inputs for an** [**Elements Paper**](https://financing.desa.un.org/sites/default/files/2024-07/Call%20for%20Inputs%20-%20Elements%20Paper%20FfD%204_rev%20clean%2026%20July%20Co%20Facs%20Version.pdf) **on Financing for Development**

(3,987 words)

1. **A global financing framework**

The current global financing framework is failing to address economic inequality, environmental destruction, and climate change. A change to the values that are given institutional power is required. This means aligning the global financing framework with a holistic understanding of human rights, including cultural, economic, environmental, political, social, as well as the right to development and the right to a clean, healthy and sustainable environment, and with new structures of governance.

* The International Financial Architecture and financing for development initiatives should evolve on the basis of a human rights impact assessment and a commitment to social and economic equality upheld through political inclusion.
* Public engagement in decision-making processes, through mechanisms like impact assessments and public consultations, is a critical component, as it improves policy outcomes, fosters public buy-in and enhances transparency and accountability. Institutional modifications that give meaningful voice to civil society and communities in the formation of development policies are also needed. This means upholding the core principles of equality, non-discrimination, participation, transparency and accountability, and paying particular attention to groups that may be most affected. All financing initiatives and systems should ensure that human rights, environmental sustainability and gender equality are at the center of financial policy making
* As the only institution with equal representation for all states, the UN should be accorded a more central role in economic governance, including development and climate financing. Reinforcing the UN's leadership ensures the just and equitable participation of all countries in multilateral processes and fosters coordinated and effective global action, aligning the initiatives of various stakeholders and enhancing the impact of collective efforts in addressing the most pressing global challenges.
* The UN should play a leadership role in delivering on tax and debt cooperation. The leading role of the UN is essential to enhance democratic participation and decision-making on international tax cooperation and to develop globally accepted tax rules in a fair and inclusive manner. A multilateral global tax body under the UN would ensure equitable representation for developing economies, centralising tax rule-setting to promote legitimacy and transparency. Debt cooperation should follow a similar path, via a UN framework convention on sovereign debt to ensure fair treatment for all nations.
* Improving the international financial architecture demands reforms to its governance, which currently deprives many countries of having a meaningful voice in policies that affect them. Voting shares and representation of key institutions, such as the International Monetary Fund and World Bank, should be reformed to better represent all countries and ensure equity of decision-making. A Global Public Investment approach, in which all countries contribute (according to their capacity) and get to participate equally in decision making, and to benefit from the returns should be adopted.
* The Pact for the Future presents an opportunity to develop policies that promote financial inclusion, ensuring access to financial tools for all, regardless of gender, social status, age, financial literacy or technological skills. This approach will help build a human rights economy where gender equality is at the heart of financing policy-making, advocating for development outcomes that are inclusive and just. The Pact for the Future should set the path for addressing the need for policies that foster financial inclusion for all vulnerable groups. Expanding access to financial services for vulnerable countries and communities, as well as for women, indigenous peoples, and youth, will ensure that financial systems are accessible to all. A rights-based financing approach should prioritise financial and socio-economic inclusion, gender equality, and intergenerational equity.
* Gender inequality must be addressed as a major barrier to sustainable development. Financial frameworks should include gender analysis, and greater investment is needed in gender-focused programs, such as women’s entrepreneurship, education and climate adaptation and mitigation. Additionally, women’s representation and leadership in decision-making processes, including in international organizations, should be prioritised to ensure inclusivity and equality in development policies.
* In the face of escalating challenges posed by climate change, biodiversity loss, and environmental degradation, it is crucial to integrate climate, nature and society into financial frameworks, including beyond GDP measures of value. This includes:
  + Conducting climate risk assessments for financial decisions, ensuring investments are climate-proof, and aligning all financial flows with the Paris Agreement and the Kunming-Montreal Biodiversity Framework.
  + Phasing out financing for environmentally harmful activities and the savings repurposed to support a just transition, including incentives for green financial instruments that fund environmental and climate-friendly projects, encouraging private sector involvement through risk mitigation.
  + Establishing standards for sustainable investments that prioritise environmental and social impact.
  + Promoting nature-based solutions, which address both environmental and socio-economic challenges by enhancing livelihoods.
  + Recognizing natural capital in financial planning and investment, incorporating environmental costs and benefits into national accounting systems and exploring polluter-pays tax measures.
  + Increasing support for universal social security systems and universal and quality public services, including via global social protection funding and international support for domestic social protection.
* Meaningful reform of the Bretton Woods institutions, and of all international financial institutions, is essential if international financial architecture is to be aligned with low-emissions, resilient and socially inclusive investment that promotes equity and human rights and protects livelihoods. Such reform offers the fastest route to expanding concessional finance and Special Drawing Rights (SDRs) to low- and middle-income countries (LMICs), particularly in the context of crisis recovery and resilience. It also requires reforming these institutions’ operations to align with human rights. For example, cuts to public expenditures, particularly social spending, and regressive tax measures in IMF programs can undermine people’s access to healthcare and education, among other rights. IFIs should conduct human rights impact assessments and incorporate human rights standards and spending thresholds in all aspects of their operations.
* The IMF should also be reformed to provide fair and transparent solutions to debt crises, such as: a permanent debt restructuring mechanism, a global debt registry, and regulating credit-rating agencies to reflect current economic realities, especially for vulnerable and Small Island Developing States (SIDS). Illegitimate debt should be cancelled, IMF surcharges restructured to allow countries debt service to be encompassed with the growth of national income (or even eliminated in some cases), and an independent credit rating agency should be established. Responsible lending and borrowing practices to reduce debt burdens while promoting sustainability and development must be applied also to private and non-sovereign debt.
* Transparency and accountability are cornerstones of good global governance, and should be promoted through new mechanisms, including: publicly accessible data-driven monitoring platforms; independent audit and evaluation bodies to assess economic and social impacts of development finance; periodic public reporting from financial institutions, multilateral development banks and governments.
* An overriding focus on economic growth, rather than the equitable distribution of resources, within the governance and decision-making practices of the primary global financial institutions has enabled the inequality, environmental and climate crises of today to take root. The Pact for the Future takes a step forward in moving beyond GDP as the sole measure of value and policy-making purpose by “reaffirm[ing] the need to urgently develop measures of progress on sustainable development that complement or go beyond gross domestic product.” It calls upon the UN Secretary General to establish an independent high-level panel to develop recommendations for new measures to be delivered at the 2025 UN General Assembly, and then to implement these measures. It is important to build on this commitment to develop and integrate indicators that move beyond GDP into all aspects of the international financial system.

1. **Action areas**
2. **Domestic public resources**

Domestic public resource mobilization is essential to finance public goods and services, ensuring equality, and maintaining macroeconomic stability. Countries must take decisive action to build strong, resilient fiscal systems that promote poverty reduction and environmental sustainability, reduce inequalities and support human rights.

* Domestic resource mobilization also needs effective international tax cooperation to prevent e.g. tax evasion. Transition tax rule-setting to a UN-led, multilateral forum, ensuring fair representation for developing countries. The adoption of the UN Framework Tax Convention would advance equitable international tax governance.
* Comprehensive Fiscal Policies: Integrate taxation and spending strategies to reduce poverty and inequality, promote industrial development, and protect the environment. Tax reforms should emphasise progressive taxation, transparency, and accountability, while enhancing efficiency by reducing tax evasion, building the tax base, and improving compliance.
* Combat Illicit Financial Flows: Strengthen mechanisms for automatic information exchange between tax authorities to enhance global tax transparency and accountability.

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

To provide better access to finance for low-income countries and communities, coordinated efforts by international financial institutions, multilateral development banks, national banks and central banks are essential. These efforts must align with the SDGs, the Paris Agreement, and biodiversity goals, prioritising stability for people and the planet over financial markets. This transformation should centre on people, building on just transition principles and renegotiated eco-social contracts that ensure economies are sustainable, inclusive, fair, and just.

* Locally led initiatives should be prioritised, engaging all stakeholders, including women, youth, older generations, and people with disabilities, to understand and address their needs effectively.
* The private sector also bears responsibilities and should contribute positively to human rights, the full implementation of the SDGs, and confronting the climate and environmental crisis. Through robust accountability and mandatory reporting, adherence to international human rights and environmental norms, support for gender equality, paying fair taxes and ensuring good labour practices, the private sector should contribute to a fairer and more sustainable global economy. Key elements include:
* The private sector must reduce its climate and environmental impact commensurate with its contribution to the climate and biodiversity crisis and uphold the highest environmental and human rights standards throughout its supply chains. By committing to invest in sustainable energy, infrastructure, technological advancement and innovation, the private sector can make a positive contribution to national biodiversity, mitigation and adaptation efforts.
* The private sector must ensure just and favourable working conditions, in particular by guaranteeing fair wages that provide a decent living for workers and their families, with particular attention to women and disadvantaged groups.
* The private sector should contribute to the financing of the SDGs by paying its fair share of taxes, honouring its tax obligations and avoiding tax evasion strategies that currently undermine the global tax system.

1. **International development cooperation**

Although Official Development Assistance (ODA) reached $211 billion in 2022, it remains insufficient. Donor countries must fulfil their commitment to allocate 0.7% of their Gross National Income (GNI) as ODA to address critical needs like climate change, refugee assistance, and investments in women, youth, and people with disabilities.

* Increased concessional financing and grants should focus on Least Developed Countries (LDCs), Small Island Developing States (SIDS), and those with high debt vulnerabilities. Using vulnerability measures to guide funding distribution ensures support for those most affected by climate crises and economic instability.
* Multilateral development banks need greater capital and reform to better align with the SDGs, the Paris Agreement and biodiversity objectives and provide long-term affordable finance. Blended finance should prioritise development impact over financial returns, encouraging responsible private investment in sustainable development.
* Commitments must rise to meet the climate resilience and adaptation needs of vulnerable countries, aligning with global agreements like the Paris Agreement and biodiversity targets. Improving governance structures will enhance transparency and access to climate finance.
* An additional layer of financial cooperation, or Global Public Investment (GPI) is needed to address the shared global common challenges of our time. Establishing a GPI framework can reduce pressure on ODA budgets and help raise a greater quantum of financing for today’s global challenges. Such a framework would be universal and inclusive in nature and based upon differential country needs and capacities.
* Prioritise initiatives that support environmental protection, climate change mitigation and adaptation, advancing the transition to an inclusive, just, fair and resilient economy. Where voluntary (replenishment-funded) organisations finance global public goods, such as pandemic preparedness or climate mitigation, these should be organised in such a way as to reduce fragmentation and competition between funding vehicles, managing the consequences of which has become an industry in itself. Such funds should instead work to strengthen coordination, transparency, and resource allocation, which will improve the quality and impact of their contribution to development cooperation.
* They should also do more to provide capacity building (rather than project finance) and to share knowledge and resources to enable governments and other public bodies to address common challenges like environment, climate change, digital transformation, gender equity or regional development.

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

Global trade significantly affects human rights, as economic growth alone may not lead to inclusive or equitable development. A human rights-based approach should examine how trade laws affect states' human rights obligations, what measures are needed to ensure positive outcomes, and how to mitigate negative impacts. Transforming current systems into frameworks for holistic, people-centred development is essential.

* Trade should focus on promoting sustainable development and addressing global challenges like poverty, inequality, biodiversity loss and climate change. To maximise trade’s potential, policies must be transparent, inclusive, and aligned with the SDGs, the Paris Agreement, and biodiversity targets.
* Reinforce inclusivity and the role of civil society engagement in trade discussions.

1. **Debt and debt sustainability**

A permanent institutional mechanism for sovereign debt restructuring is essential, operating within the UN framework as an impartial platform for debt renegotiation, emphasising transparency and accountability.

* Reform the G20 Common Framework (CF) and the IMF/WB Debt Sustainability Analysis to respond to the challenges of countries in debt distress, so the debt system acts swiftly so debt distress does not lead to social and economic crises. This should link CF with sustainable longer term development pathways in line with the SDGs and environmental and climate action.
* Establish a Permanent Sovereign Debt Restructuring Mechanism: A multistage process, including voluntary renegotiation, mediation, and arbitration, would ensure fair outcomes. Decisions should be handled by an independent agency to avoid political interference or undue influence from creditor countries and institutions.
* Create an Ad Hoc Debt Restructuring Mechanism. This mechanism would set clear negotiation timelines, suspend debt payments during talks, and involve private creditors alongside bilateral and multilateral lenders. It would also extend eligibility to middle-income countries with severe debt issues.
* Prioritise Debt Crisis Prevention: updating the debt sustainability assessments instruments, early warning systems, and comprehensive debt monitoring tools would help prevent future crises. These standards would promote responsible borrowing and lending.

* Global Debt Registry of all sovereign debts, including those owed to non-traditional lenders, would ensure transparency and equitable treatment of all creditors.
* Reform the existing credit rating system including consideration of economic shocks due to inter Alia to climate and health disasters.
* Establish an African Public Credit Rating Agency: A transparent public credit rating agency would provide accurate assessments of African nations' creditworthiness, reducing reliance on private agencies and fostering economic stability.
* Implement Debt-for-Climate and Nature Swaps to create fiscal space for countries facing debt and environmental challenges, aligning debt relief with climate and nature priorities to support long-term sustainability.

1. **Addressing systemic issues**

* The G20 should create a Permanent Body for climate and environment to integrate climate and environment into all G20 working groups, ensuring systematic alignment with global goals and strategies. This body would monitor the implementation of climate and environment commitments in the G20 Leaders Declaration, improving transparency and accountability through annual reporting.
* A Permanent Facility for Regular Dialogue should be set up, fostering collaboration between the G20 Presidencies, COP Presidencies, IFIS, MDBs and UN ECOSOC. This aligns with the UN’s vision of bi-annual summits, ensuring coherence and coordination in mobilising resources for just transitions.
* To make the global financial architecture more inclusive, reforms should be based on equity and impact, with a focus on giving a real voice to vulnerable communities. This would increase investment in critical areas and reduce borrowing costs for vulnerable countries. Climate and environmental funds could also be realigned so that all nations contribute and benefit equitably.
* Comprehensive risk management and insurance solutions must be developed for farmers and other stakeholders to protect against production risks, price volatility, and climate hazards. These solutions should be financially viable and easily accessible.
* Cross-sector collaboration is essential, with young activists and policymakers from both the Global North and South involved in shaping practical reforms. Youth engagement in financial institutions is crucial to ensure future generations have a say in decision-making processes, beyond symbolic participation.
* Human rights impact assessments and social spending thresholds should be incorporated into IFIs, MDBs and national and central banks operations to prevent harm to economic, social, environmental and cultural rights, ensuring access to essential services like healthcare, water, energy and education.

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

Technological advancements can drive sustainable development but could also deepen inequalities due to uneven access. To address this, the global community should:

* Establish a global framework for science, technology, and innovation that ensures inclusive access to technology, especially to LDCs, including targeted support for capacity building, technical assistance, and funding.
* Invest in human capital by strengthening public education systems to equip people with digital literacy, technical skills, and innovation capabilities that directly contribute to the SDGs and climate and environmental protection.
* Shift from Profit-Centered to Community-Centered Models that prioritize the well-being of people and the planet over profits.
* Promote Environmental Sustainability in the Digital Economy: Current business models prioritize shareholder value, often at the expense of environmental health and disregard human rights. We need stronger policies and regulations to hold businesses accountable for their environmental and social impacts.
* Support Universal Connectivity, especially in rural areas. Advocate for socially-driven investments in community-centered connectivity initiatives, which have been highlighted in the UN’s Global Digital Compact, and address the Digital Inequality and the Gender Divide.

1. **Emerging issues**

* Gender inequality in tax and fiscal systems is often exacerbated by gender-blind policies and institutional incoherence, disproportionately impacting women and girls, particularly concerning unpaid care work. To combat this, it is essential to:
  + Conduct gender and human rights impact assessments: Evaluate all fiscal reforms and development initiatives for their effects on gender equality and human rights.
  + Shift focus from fiscal consolidation to human rights: Ensure that essential public services like health and education remain intact.
  + Challenge the gendered division of labour: Recognise unpaid care work and implement policies that promote its equitable distribution.
* Base erosion and profit shifting (BEPS) due to multinational enterprises exploiting gaps and mismatches between different countries' tax systems affects all countries and undermines the integrity of the systems. Targeted tax measures should include:
  + Expedite the negotiation of the UN Tax Treaty. The OECD/G20 Inclusive Framework on BEPS should be incorporated.
  + Apply transparency measures designed to tackle corporate and private tax abuse and corruption: automatic exchange of information, beneficial ownership registration and country by country reporting.
  + Follow the Common but Differentiated Responsibilities and Respective Capabilities principle among countries.
  + Tax wealth accumulation to reduce inequality and generate revenue.
  + Tax extraordinary profits in industries benefiting from unexpected circumstances.
  + Tax industries and corporations that significantly contribute to environmental degradation and climate change and stop subsidising them.
  + Eliminate tax loopholes to combat tax avoidance and evasion.

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

* Establish a comprehensive monitoring and accountability (more than simply follow-up) framework to ensure transparency by providing accessible data on the progress of financial commitments, fund allocation, and investment outcomes. It should promote knowledge sharing and capacity building, particularly in low-income and emerging markets, enabling countries to learn from best practices. Regular reviews and evaluations should focus on how financial initiatives contribute to the SDGs and align with human rights, environment and climate targets, with the UN serving as the central body overseeing these efforts.
* Develop standard definitions for sustainable infrastructure: A common taxonomy is needed for infrastructure o align with national and international sustainable goals. IFIs, MDBs, national development banks and domestic planning authorities should collaborate to create a taxonomy that considers income levels, geographic challenges, environmental and climate risks. A dedicated entity, like the Coalition for Disaster Resilient Infrastructure, should oversee this taxonomy's creation and maintenance.
* Map infrastructure needs and risk profiles: Identifying gaps between perceived and real risks in emerging and developing economies. Utilising climate, environment and and infrastructure risk modelling tools, countries can receive accurate assessments of their needs. Collaborating with state and local authorities will help develop strategic roadmaps and align budgetary allocations with long-term infrastructure needs.
* Create a Multilateral Disaster Risk Resilience Insurance Pool: This initiative would improve asset assessments and reduce insurance premiums, making climate risk insurance more accessible. Encouraging private sector involvement in providing insurance can mitigate financial risks for vulnerable countries.
* Promote ESG in investment decisions like impact investment, and responsible investment practices to foster food security, resilience and sustainability, ensuring long-term financial returns consistent with sustainable development outcomes.

**V. Overarching reflections**

The political ambition required for the 4th International Conference on Financing for Development (FfD4) is crucial for mobilising adequate resources to achieve the SDGs. This conference must equip all countries to reduce inequality and poverty, finance resilience, address climate change and biodiversity loss while establishing a clear set of deliverables for the global financial system. FfD4 represents a pivotal opportunity to realign global financial strategies and frameworks to meet urgent needs and ensure equitable access to resources for sustainable development and climate resilience.

There needs to be a collective commitment to significantly scale up financial resources. This includes not only increasing ODA but also embracing new frameworks for collective investments (such as GPI), and locally led initiatives and innovative financing mechanisms that can mobilise additional investments. The challenge lies not just in securing sufficient funding but also in effectively targeting resources to critical areas such as health, education, infrastructure, and social protection, particularly in LMICs. This in turn must build on governance reform of the international financial architecture.

Global solidarity and trust are essential for building a new financing framework that allows for meaningful participation from all nations. Each country, especially those most vulnerable, must have the capacity to finance its own development and environmental efforts. A robust framework of international support mechanisms is needed to empower countries to undertake projects that align with global climate, environmental, and social goals.

FfD4 must establish clear, actionable deliverables with specific, measurable, and time-bound commitments to finance the SDGs in line with climate and environmental targets. These commitments should be accompanied by transparent reporting systems and independent review processes to track progress and ensure accountability.

Strengthening global cooperation and trust in multilateralism, particularly through the UN, is critical. The new global financing framework should uphold the UN’s central role in leading financial reforms and coordinating international efforts, reinforcing the legitimacy of the process and the relevance of the multilateral system.

Governments must urgently reform the outdated and inequitable international financial architecture. The new architecture should reflect today’s global realities, providing a proportionate voice to all countries and addressing emerging challenges, including inequalities, poverty and the climate and biodiversity crisis. It must be resilient to global shocks, promote financial stability, and encourage investments in the green economy and climate adaptation efforts.

Aligning financial strategies with international agreements, such as the Paris Agreement and the Kummig Montreal Convention, will help synchronise global efforts and amplify impact. Effective responses to global challenges necessitate strong partnerships among governments, international organisations, the private sector, and civil society: but only when structured to the benefit of the global public interest.

Financing for development is a transformative tool that can enhance lives, reduce poverty and hunger, and foster a more equitable and sustainable world. FfD4 offers an unprecedented opportunity to redefine global finance, ensuring that no country and no part of the population is left behind in the pursuit of the SDGs. To achieve this the institutional architecture of FfD must *evolve* and be brought into line with present global needs and realities.