**SWITZERLAND’S INPUTS FOR THE FFD4 ELEMENTS PAPER**

**Guiding questions:**

1. *What are the key financing policy reforms and solutions that the 4th International Conference on Financing for Development (FfD) should deliver?*
2. *How could the Conference strengthen the follow-up process, to ensure accountability to and full implementation of commitments made?”*

Switzerland is focusing on the FfD4 process on selected areas of particular importance or interest to it and in which it can make a substantial contribution based on its expertise. The following points are to be understood against this background.

1. **A GLOBAL FINANCING FRAMEWORK (INCLUDING CROSS-CUTTING ISSUES)**

On an overarching level, we would like to emphasize the following:

Corruption:

* Corruption poses a significant barrier to development due to its pervasive negative effects on governance, economic growth, and social equity, disproportionately impacting developing countries. It diverts scarce financial resources and has a far-reaching impact on all chapters of the FfD agenda. Therefore, we propose a new cross-cutting paragraph:

*Corruption undermines sustainable development, exacerbates poverty and inequalities, and hinders progress across all areas of the Financing for Development Agenda. We reaffirm our commitment to combating corruption at all levels and in all its forms, recognizing its widespread impact on domestic resource mobilization, international trade, sovereign debt, private sector investment, and official development assistance—ultimately undermining the achievement of the 2030 Agenda for Sustainable Development. We call on all states to intensify efforts to enhance transparency and accountability in budget allocation, tax policy, revenue collection, expenditure and public procurement, reinforce financial oversight, including through safeguarding the independence of Parliaments and Supreme Audit Institutions, an open civic space and the independence of media. We commit to end refuge for corrupt funds, registries and promote international cooperation in prosecution and asset recovery. We further commit to strengthening institutional capacities, promoting integrity and merit-based recruiting in public service, and will support capacity-building efforts in developing countries related to integrity and anti-corruption measures. Our commitment is aligned and builds on existing international frameworks, such as the United Nations Convention against Corruption and the Financial Action Task Force (FATF) recommendations.*

Effective use of public financing:

* The mobilization and effective use of public financing—domestic resources, international concessional and non-concessional financing— as well as of private financing is key and more needs to be done to fully align spending with the SDGs and enhance its effectiveness.

Financing for gender equality:

* Equality between women and men is not only a fundamental human right, it is also the condition for a peaceful, prosperous and sustainable world.
* Investing in gender equality is crucial for achieving poverty reduction, inclusive economic growth and sustainable development for the benefit of all.
* Expanding skills development opportunities for women to increase their full, equal and meaningful participation in all spheres of life (economic, social, and political) represents an enormous untapped potential.

**II. ACTION AREAS**

1. **Domestic public resources**

* Domestic resources in all countries are the most important source of financing for sustainable development and they are first and foremost generated by economic growth, supported by an enabling environment at all levels.
* Tax for sustainable development and the principle of inclusive and effective international tax cooperation are of high importance. Corresponding UN initiatives are therefore welcomed[[1]](#footnote-1). It is crucial that solutions are sought in the negotiation of a framework convention that are based on broad consensus and that represents a fair balance of interests. It is also important that the progress already made by the international community (in particular by the OECD and G20), is not undermined or duplicated, as this could lead to a fragmentation of regulations and standards.
* Reforms will be needed and should be supported to strengthen tax policy and tax administrative capacity, resulting in stronger tax systems and higher taxpayer compliance that are the essential foundation for increased revenue mobilization[[2]](#footnote-2). It is crucial to provide technical assistance in the area of DRM, as it has been one of the main donors for over two decades.
* Effective international cooperation is crucial to combat illicit financial flows (IFF) substantially and in a sustainable manner. Corruption, tax evasion, money laundering, terrorist financing and other IFF are cross-border crimes and cannot be combatted by a single country. Close international collaboration to fight IFF is needed[[3]](#footnote-3). They have substantial negative effects especially on low- and middle-income countries, as they hinder economic development.[[4]](#footnote-4)
* Asset recovery is a key component in the global fight against corruption and an important source of development financing. The proceeds of public corruption often end up in financial centers outside the countries of origin. Recovering these stolen assets is an important step in rectifying past injustice with the potential to increase social cohesion and contribute to peace. Returned assets form an integral part of the domestic resources that can be used to finance development and serve as a deterrent to future diversion of assets to foreign financial centers. The FfD Agenda must recommit to reducing IFF, strengthening the recovery and return of stolen assets, and combatting all forms of organized crime (SDG target 16.4). In particular, we welcome ongoing efforts to:
  + Ensure that confiscated assets are returned to the benefit of the populations of the countries of origin in a transparent, accountable and efficient manner;
  + Facilitate and strengthen international cooperation, technical assistance, and capacity building amongst all stakeholders, including through the biennial international Expert Meetings on asset return and the 2030 Agenda (Addis Process);
  + Establish good practices on asset return to foster sustainable development, such as robust monitoring mechanisms and civil society involvement.
  + Pilot new and innovative approaches to asset return, e.g. through partnership with organizations working to achieve the SDGs in the countries of origin; and
* Strengthening the capacities of municipalities and other local authorities on the sub-national level as key providers of basic services.
* Sound public financial management: promoting the efficient and effective allocation and distribution of public funds, while maintaining fiscal sustainability[[5]](#footnote-5). Against the background of many countries’ increasing debt distress and shrinking fiscal space, PFM reforms need support to help governments allocate their resources efficiently and effectively in view to deliver public services to the entire population, and to increase their accountability towards citizens.
* We see great untapped potential in removing market distortions as well as reviewing inefficient or outdated harmful subsidies (e.g. on fossil fuels), complemented by minimizing possible negative impacts on the poor.

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

* Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. Public policy is needed to create the enabling domestic and international environment at all levels. This includes regulatory frameworks to better align private sector incentives with public goals, incentivizing the private sector to adopt sustainable practices, and foster long-term quality investment.
* Uphold international laws, standards and recommendations, such as the OECD Guidelines on Responsible Business Conduct. Aim for a simplification/standardization of ESG reporting.
* A greater role for multilateral organizations in creating a conducive environment for private investment at the country level to complement the current focus on deploying financial instruments at the project level, must be supported.
* The use of Impact-Linked Finance which refers to linking financial rewards for market-based organizations to the achievements of positive social outcomes, should be encouraged. It is a highly effective way of aligning positive impact with economic viability and lies at the intersection between blended finance, impact investing, and results-based finance. Impact-linked finance can help channel investments towards those businesses that achieve measurable social and environmental outcomes.
* We particularly encourage supporting social and impact enterprises. These are private businesses that exist either “for impact” – i.e. where both impact and financial sustainability are equal and indispensable for self-sustainability; or they refer to companies that exist “with impact” – i.e. impact is considered alongside the need for financial sustainability, which is the primary objective. Social and Impact enterprises can be powerful drivers of social change both in developed and developing countries.

1. **International development cooperation**

ODA:

* We underline the importance of ODA in development finance, its value as expression of solidarity and commitment. In times of crisis, such as the COVID-19 pandemic, ODA is the financial resource that remains resilient and stable. Beyond the financial volumes, ODA is also important as a symbol of credibility and integrity and as pledge for improved perspectives for future generations.
* We recognize the importance of focusing the most concessional resources on those with the greatest needs and least ability to mobilize other resources. In this regard we note with great concern the decline in the share of ODA to least developed countries.
* There are huge needs in development finance and the 0.7% ODA/GNI target is still a clear signpost to follow as is the 0.20% ODA/GNI to LDCs.
* Multilateral organizations need resources that enable them to tackle multiple *long-term* development challenges. A strong base of core funding helps safeguard the financial health and operational integrity of these institutions by providing the financial foundation for their corporate functions, such as human resources management, strategic planning, and monitoring and evaluation.
* Donors should aim for quality funding which increases clarity, predictability and transparency. This includes securing adequate funding for core strategic functions of multilateral development organizations, by rebalancing core and earmarked contributions and prioritizing flexible funding, such as contributions to multi-donor and inter-agency pooled funds. The recently updated Funding Compact for the UN’s support to the SDGs can serve as a basis and holds significant potential for improving development outcomes by emphasizing strategic country-level engagement, enhancing funding flexibility and promoting transparency.[[6]](#footnote-6)
* ODA can be used efficiently to achieve a leverage effect by helping to mobilize domestic or additional private sector resources for sustainable development. This can be done, for example, by using development funds to minimize the risks of private investment or through public-private blended finance arrangements and public-private development partnerships, notably for infrastructure and other investments that support private sector development.
* We emphasize the potential of South-South Cooperation and encourage the further development of this type of cooperation. With support from Switzerland and UNDP, an innovative tool to measure the effectiveness of South-South Cooperation has been piloted in several countries.

Effectiveness:

* Overall, attention to the development effectiveness agenda has been lagging. There is a clear need to revitalize this agenda and develop a shared understanding of development effectiveness. Effective development cooperation, and how we work together for sustainable development, must once again become a central focus of development financing discussions to address the massive global challenges in a changing financing landscape.[[7]](#footnote-7)
* Greater ambition to applying the effectiveness principles in their integrity is an essential pathway to speed up delivery on the SDG commitments and address the financing gap.
* We recognize that in today’s challenging global landscape, development cooperation budgets are tighter and ODA faces more pressure to deliver tangible results. We are pleased to see that donors, governments and multilateral development institutions are increasingly using innovative financing approaches to enhance results. We commit to further promoting this shift from traditional inputs-based methods of international development funding to results-based approaches with the aim to further increase the effectiveness of development cooperation. Spending funds in a way to reach impact on the ground in a lasting way, focusing on the quality of financing, is critical to that end.
* We are convinced that Outcomes-Based Financing (OBF) contributes to more and better development results, because (1) we can enhance local ownership and accountability of development results, (2) outcomes are defined and tracked more rigorously with an emphasis on learning, and (3) OBF incentivizes all actors to maximize results that matter, by fostering a culture of performance and generating local evidence that can inform policy making. Ultimately, the value for money of public funding is enhanced and beneficiaries are better off
* Proliferation and fragmentation of the aid system jeopardize effectiveness, quality and impact. This was already acknowledged in the AAAA and at BAPA+40, but with progress on the SDGs and their financing lagging core ODA effectiveness commitments need to be reiterated and updated (AAAA OP 58) to show how they enable sustainable development concretely. Based on the 2022 Geneva Summit on EDC we propose an update of AAAA OP 58:

*“We acknowledge that quality, impact and effectiveness of development cooperation are critical in addressing the multiple crises the world is currently facing, in supporting sustainable recovery and putting the world back on track toward successful implementation of the 2030 agenda. For this the Principles of Effective Development Cooperation were institutionalized, namely country ownership, focus on results, inclusive partnerships, and transparency and mutual accountability.*

*We are determined to design inclusive and transformative sustainable development plans und Integrated National Financing Frameworks actively involving all actors that build resilience, leave no one behind, achieve gender equality and ensure accountability to the people.*

*We recognize the critical role of partner country governments to lead country processes. Within this we acknowledge an important role for the UN development system, with its UN Country Teams, under the leadership of the UN Resident Coordinators, in supporting governments’ efforts in the implementation of the 2030 Agenda. Development Cooperation Partners are determined to strengthen the capacity of civil society in support of local ownership as locally-owned and -led humanitarian, development and peace building cooperation may lead to results that are more likely to be sustainable.*

*We will promote country ownership and results orientation and strengthen country systems, use programme-based approaches where appropriate, strengthen partnerships for development, reduce transaction costs, and increase transparency and mutual accountability.*

Fragmentation:

* An overburdened, fragmented and mostly dysfunctional financing landscape burdens recipient countries with significant transaction costs. International donors must address the fragmentation and proliferation of development finance and accelerate reforms to remove constraints on developing countries’ access to finance accessibility and effectiveness of development and climate finance.
* We see a potential e.g. in donor harmonization (ranging from informal exchange of information to simplified procedures and common arrangements for designing, managing and implementing aid) and aligning donor inputs with national processes. Other ideas include:
* Strengthen dialogue in capitals among aid agencies, ministries of foreign affairs and treasuries on cross-cutting issues such as MDB reform, to balance financial and development considerations.
* Address the lack of standardization in bilateral and multilateral donors’ reporting requirements to reduce the burden on multilateral organizations and recipient countries.

Multilateral Development Banks (MDBs):

* We invite MDBs and other international development banks to continue providing both concessional and non-concessional stable, long-term development finance by leveraging contributions and capital, and by mobilizing resources from capital markets.
* MDBs need to evolve and become better, bigger and more effective to address current global challenges such as climate change, pandemics, and fragility, as well as to align their operations better with the SDGs.
* We support the implementation of the Capital Adequacy Framework reforms recommended by the G20 Independent Expert Group at the level of individual MDBs to optimize the use of existing resources. The triple-A rating, preferred creditor status, and financial sustainability have to be maintained.
* We strongly encourage MDBs to work as a system, i.e. to continue harmonizing their policy frameworks, standards, instruments and procedures, and to focus more on development impact and the strengthening of a corresponding incentive system.
* We call on the MDBs to apply and adhere to ambitious environmental, social and governance standards and safeguards in their operations.
* We welcome efforts by development banks to develop safeguard systems in open consultation with stakeholders on the basis of established international standards, and encourage all development banks to establish or maintain social and environmental safeguards systems, including on human rights, gender equality and women’s empowerment, that are transparent, effective, efficient and time-sensitive.
* Analysis show that multilateral organizations’ outflows have a stronger focus on poverty reduction than bilateral donors’ ones. However, the multilateral development system’s capacity to address poverty mainly relies on their ability to provide concessional finance to the poorest and most vulnerable countries. Therefore, it is important to ensure that a substantial portion of multilateral development finance remains highly concessional and affordable for the poorest and most vulnerable countries.
* The current reform focus on the MDBs is on financial innovation, which is likely to tilt the balance further towards non-concessional resources.
* The current reform focus on the MDBs should not distract from the need to strengthen the other parts of the multilateral development system or to complete unfinished reforms, notably making better use of existing resources by creating more lending headroom.
* MDBs have become the principal actors in private finance mobilization. Research has shown that investment challenges in the poorest and most vulnerable countries stem from a combination of national level factors.

Remittances:

* Migrant remittances and diaspora investment are (together with ODA) by far the most important external sources of finance for LDCs and make a positive contribution to inclusive growth and sustainable development. Remittances directly augment incomes of poorer households and tend to be counter-cyclical. They are expected to continue to increase due to rising migration pressures. However, remittances continue to be more expensive than the commitments made in the Addis Ababa and 2030 Agendas.[[8]](#footnote-8) Thus more attention is needed to ensure that adequate and affordable financial services are available to migrants and their families in both home and host countries.
* Digitalization provides opportunities to enhance the efficiency of financial infrastructure, such as the payments system: to address questions regarding the interoperability of payment systems in order to increase the speed and reduce the cost of cross-border transactions for developing countries is an urgent step.

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

* International trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development. We favor a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the WTO.
* We also see a significant potential to promote inclusive growth and sustainable development by supporting regional economic integration and interconnectivity.
* International trade and investment offer opportunities but also require complementary actions at the national level, e.g., strengthening domestic enabling environments and implementing sound domestic policies and reforms conducive to realizing the potential of trade for inclusive growth and sustainable development.
* These reforms should include the promotion of partnerships with the private sector and ensure effective integration of small producers in international value chains and drive sustainable production practices.

1. **Debt and debt sustainability**

* We are deeply concerned about high debt-related risks in many countries: restoring public debt sustainability, while preserving access to financing under favorable conditions, is of paramount importance.
* Sound fiscal policies, and medium-term fiscal strategies and rules are key for this. Prioritization and higher spending efficiency as well as stronger revenue mobilization are essential too.
* Strong capacities in public financial and debt management are key, not just for countries to address debt-related risks, but also for economic development and for accessing global markets.[[9]](#footnote-9) Capacity building in the areas of public financial and debt management as well as DRM, must be strengthened.
* We affirm the importance of debt restructurings being timely, orderly, effective, fair, and negotiated in good faith.
* Despite recent important progress, including resolution of debt distress in a few countries, continued efforts to enhance the efficiency of the “G20 Common Framework -CF” are needed.
* Further enhancing debt transparency remains essential: Both borrowers and creditors should contribute to it, including by participating in debt data reconciliation.
* The G20, Paris Club, WB and, especially, the IMF are the pertinent institutions for work on debt treatments and debt-related issues more generally. Ongoing efforts in these institutions should not be duplicated.

1. **Addressing systemic issues**

* We emphasize the need to enhance policy coherence across all three dimensions of sustainable development (environmental, social and economic). The lack of coherence and coordination results in disjointed and thus inefficient response to economic, financial and other crises.
* We support ensuring an adequate voice and representation of developing countries in international economic decision-making and norm-setting and global economic governance

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

* The contribution of science, technology and ICT for achieving the SDGs is recognized by the international community. It is not new, since the WSIS outcome documents highlighted this.
* The Summit for the Future and the Global Digital Compact reinforced the international community commitment for an inclusive digital future.
* FfD4 should further recognize the importance of the digital transformation for achieving the SDGs, while also being aware of the cyber risks and challenges countries face with digital innovation.
* FfD4 can play a key role in contributing to implement the Global Digital Compact, by gearing the financing towards its goal, harnessing synergies with the work being undertaken under the WSIS umbrella by ITU, UNESCO, UNDP, UNDESA and other partners.
* As of today, digital development has followed an unequal path, as highlighted by the Digital Development Compass by UNDP.
* To harness the power of technology we should work towards reducing the digital divides. This includes increasing connectivity for all, supporting access to affordable ICT infrastructure, as well as promoting digital awareness and skills, so that the use of new technologies is anchored in the local context and that people can preserve the changes brought about by digital transformation in the long term.
* Further, development of AI requires data, computing power and capacity building.
* Without investing, we bear the risk of limiting opportunities for many around the globe. The ICAIN project for instance aims to democratize access to computing power. The Open Quantum Institute has the same goal for quantum computers.
* As many services such as payment, identity management and sometime voting take place online, it is important that we invest Digital Public Infrastructure, following criteria of openness, equality and security.
* Finally, capacity development also on digital governance and necessary institutional framework conditions plays an essential role in empowering all interested stakeholders in meaningfully participating in digital governance. The work of Diplo Foundation and the Geneva Internet Platform are great examples in this regard.
* An example of international efforts to bridge the digital divide is the Giga initiative, led by UNICEF and ITU with the support of Switzerland and Spain, which aims to connect every school to the Internet and ensure that children worldwide have access to information, opportunities, and resources to thrive in a digital economy.

**III. EMERGING ISSUES**

**Data, monitoring and follow-up**

* *“Timely, secure, transparent and high-quality disaggregated data are necessary to manage the complexity of sustainable development. We will increase our use of data, including data generated in partner countries, as a basis for policy making, and to build shared ownership and mutual accountability in a transparent way”.* FfD4 should recognize the importance of data and statistics, particularly official statistics, both for measuring progress on financing for sustainable development and as a driver of sustainable development. First, data and statistics provide an objective basis for decision-making, including for ensuring that financial means for sustainable development are directed where they are most needed and have the most impact. Second, with digitalization, data have become an essential factor of economic and social development. Third, trusted data and statistics can contribute to combating misinformation and disinformation, which can negatively impact the attainment of the SDGs.
* FfD4 should therefore recognize the importance of strong data systems and effective data governance at the national and international levels. To ensure that data from different sources can be shared and used (e.g., by researchers, but also by AI tools like Chat GPT) in an interlinked manner, it needs to be findable, accessible, interoperable, and reusable. The development and use of common standards for interoperability as well as platforms for making data accessible should be encouraged and financed.
* Strong standards and clear definitions are needed in order to enhance the credibility and integrity of data, which is essential for informed decision-making.
* ODA’s modernization has been completed in the OECD-DAC statistical system which is now fit to reflect the aid flows in a way that allows comparability and analysis. There have been many efforts to increase the level of detail, the quantity and quality of information and its transparency. This trend is to be followed in order to continue to monitor the 2030 Agenda and beyond.
* The Total Official Support for Sustainable Development (TOSSD) measure, which is developed with the aim to gather the full array of officially-supported ressources for sustainable development must be supported. TOSSD encompasses promising workstreams like increased access to data on South-South Cooperation and the capture of global and regional public goods. With its inclusive governance, the newly created International Forum on TOSSD (IFT) is fostering new dynamics and perspectives in the exchange between traditional donors, emerging donors and beneficiaries. FfD4 should recognize the work done by the Bern Network on Financing Data for Development and its Clearinghouse for Financing Development Data. The Clearinghouse is a platform to help countries, donors and development agencies identify funding opportunities, bring projects to scale, advocate for support to data and statistics and connect to new partners. It provides information and services to match the supply and demand of financing for data and statistics to foster transparency, accountability, and alignment and facilitate coordination among donors and partner countries;
* FfD4 outcome document must be accompanied by a strong follow-up process, including an effective monitoring and accountability framework, to ensure the actual implementation of the political agreements made.

**IV. Overarching reflections**

* We acknowledge that there are separate international processes on environment but we emphasize the need to deliver an overall, ultimately integrated approach for financing for sustainable development i.a. addressing the triple planetary crisis of climate, biodiversity and pollution. Therefore, it is important that the FfD4 Outcome Document is consistent with the results of this year's three major environmental conferences: UN Biodiversity Conference (CBD COP-16, Oct 2024), the UN Climate Change Conference (UNFCCC COP-29, Nov 2024) and the planned conclusion of a new multilateral legally binding agreement to address global plastic pollution (INC5, end of Nov-beginning of Dec. 2024). This should include well balanced quantified targets and/or deadlines.

1. It has therefore participated actively and constructively in the preparatory work towards a framework convention. [↑](#footnote-ref-1)
2. Switzerland is one of the earliest and largest donor countries for projects to build capacity in developing countries in the area of taxation. It promotes measures that support governments in poor countries in generating additional domestic resources (for example, by strengthening institutional, technical and human capacity in tax systems). [↑](#footnote-ref-2)
3. Switzerland has returned more stolen assets than any other state and promotes international standards and best practices at global level. [↑](#footnote-ref-3)
4. Switzerland is working on these topics in close collaboration with the IMF, the OECD, the Egmont Group and the FATF [↑](#footnote-ref-4)
5. [↑](#footnote-ref-5)
6. Switzerland contributed more than 30% of its UN funding as core resources, as one of only two countries to achieve the target of both the 2019 and 2024 iterations of the financing agreement. [↑](#footnote-ref-6)
7. The Global Partnership for Effective Development Co-operation provides a useful and efficient platform for this dialog. [↑](#footnote-ref-7)
8. Considerable amounts of remittances are originating in Switzerland (2011: 935 million USD). Switzerland has identified first projects aimed at lowering costs of sending remittances, especially by increasing transparency and boosting competition of providers of such services. [↑](#footnote-ref-8)
9. [↑](#footnote-ref-9)