UNDP inputs to the FfD4 elements paper

# Introduction

This document sets out UNDP’s inputs to the elements paper, in response to the call from the co-facilitators of the outcome document. The paper sets out proposals for key elements that can be introduced in the FfD4 outcome document to strengthen and accelerate financing for the SDGs, Paris Agreement, Convention on Biological Diversity and Convention to Combat Desertification.

The document follows the structure requested by the co-facilitators. It begins with overarching reflections on the Addis Ababa Action Agenda (AAAA) then sets out proposed elements related to the sections of the AAAA: *I. Global Financing Framework and Cross-Cutting Issues; II. Action Areas (A-G) III. Data Monitoring and Follow-up*. The elements are presented as language proposals that can inform the relevant paragraphs in the FfD4 outcome document.

Clear, measurable indicators to track progress in delivering the FfD4 outcome are vital. The document includes indicative draft targets intended to help initiate the conversation about the nature and focus of an FfD4 monitoring framework.

# Overarching reflections

The AAAA represented a significant milestone, the first time the international community came together to commit to global development goals whilst considering the financial resources and framework required.

The AAAA has driven many positive changes, from introducing integrated national financing frameworks now used by more than 85 countries, to catalysing reform on tax through the two-pillar solution, and the drafting of the Terms of reference for the UN framework convention on international tax cooperation. Since AAAA there has been significant growth in green and SDG bonds, progress unlocking private capital for the SDGs and in de-risking, innovation in aligning private capital with the SDGs through taxonomies, financial disclosure and sustainability reporting, deepening partnerships between development and financial institutions. The UN Secretary-General’s SDG Stimulus identified financial architecture reform as a game-changer for the SDGs, and the Pact for the Future included important steps forward on financing for sustainable development.

UNDP is at the heart of efforts to build a more sustainable, inclusive financial architecture, from technical leadership supporting country-led INFFs for the SDGs and NDCs to the tax inspectors without borders initiative, advancements in SDG taxation, budgeting, insurance, thematic bonds and SDG-aligned private investment, analytical work on debt, IFA reform and beyond.

Drawing on this experience we see the imperative for the FfD4 Outcome to build on the AAAA whilst setting strategic targets that accelerate systemic reform.

# Global financing framework and cross-cutting issues

### Element: Financing the Agenda 2030, UNFCCC, Convention on Biological Diversity and other international policy commitments

Language:

We note the growing focus on financing across international policy forums including the UNFCCC, Convention on Biological Diversity and Convention to Combat Desertification, and underscore the need to make finance work for climate, nature, gender equality, health and other sustainable development priorities in an integrated manner. The commitments set out in the FfD4 outcome should directly contribute to making finance work for these agendas as well the SDGs, while safeguarding the additionality of climate finance.

### Element: Systematic collaboration between development institutions and financial institutions

Language:

Financing for sustainable development sits at the nexus of the financial and development sectors. Only with these two areas of expertise, experience and instruments working together effectively can finance truly be made to work for sustainable development. It is crucial that the revitalised partnership both leverages enhanced contributions from all actors and deepens collaboration between development and financial institutions across policy, programming and transactions, including between the UN system and international financial institutions.

### Element: Country-led integrated national financing frameworks

Language:

We recognise integrated national financing frameworks (INFFs) as the primary financial planning tool at the centre of country-level efforts to deliver the FfD4 agenda, guiding public, private, domestic and international financing policy for sustainable development. We note the success that many countries have realised in mobilising and aligning financing for sustainable development since INFFs were introduced in the AAAA and that strengthening the national financial architecture can catalyse accelerated international financial architecture reform.

We encourage continued uptake and usage of INFFs, as the primary financing strategy for national development plans (NDPs), nationally determined contributions to the Paris Agreement (NDCs), national biodiversity strategies and action plans (NBSAPS), and Gender Equality, and a platform for partnership between development institutions and financial institutions across the public, private and civil society sectors. We encourage continued uptake, including at the local level through integrated local financing frameworks (ILFFs). We take note of ongoing efforts to support countries including those of UNDP, UNDESA, UNICEF and the OECD through the INFF Facility.

Country-led INFFs can strengthen fiscal policy coherence, ensuring revenue and expenditure is gender- and SDG- positive, while strengthening capacity and policy for increased revenue mobilisation. They can catalyse de-risking of SDG-aligned private investment through policy and instruments and build collaboration between development partners and IFIs, including through MDB country platforms, as well as the private sector, financial institutions, development organisations, civil society and others.

We welcome international initiatives to scale financing - such as MDB supported country platforms to mobilise capital for financing climate action – aligned with national development priorities and operating within existing sovereign-led INFFs. We encourage greater collaboration between the World Bank, IMF, other IFIs, private sector and the UN system in joint support for governments.

Target:

* **120 countries use integrated national financing frameworks** for SDG and NDC implementation and report **$4 trillion** mobilised and aligned to the SDGs annually by 2030.[[1]](#endnote-2)

### Element: Greater private sector engagement including capital markets, insurance and risk finance

Language:

The private sector is a key driver of change. Private participation in finance policy dialogue is crucial to realise meaningful change in how the more than $450 trillion in private wealth globally is invested. This must be done with integrity, establishing robust policy and regulatory frameworks, disclosure and reporting requirements for the SDGs and NDCs, building open engagement between the private sector, public policymakers, development institutions, investors, IFIs and financial intermediaries, civil society and other stakeholders.

Target:

* All **listed financial institutions and public development banks** develop **transition plans in line with national commitments** by 2030.

### Element: Accelerating international financial architecture reform

Language:

We call for accelerated international financial architecture (IFA) reform to support long-term stable financing for the SDGs and Paris Agreement, channelling resources at speed and scale where investment is most needed. IFA reform must connect with, and can be catalysed by, national financial architecture reform.

Target based on SDG Stimulus:

* Scale **international financing for sustainable development** to at least **$500 billion** a year, invested within INFFs.[[2]](#endnote-3)

### Element: Addressing the root causes of fragility and crisis

Language:

We recognize countries facing fragility and crisis often become trapped in a cycle where scarce financial resources are allocated for immediate crisis response, minimising sustainable development investments. Significantly scaled-up, predictable, and flexible investments are needed across the Humanitarian-Development-Peace nexus (HDP). We will foster deeper collaboration among HDP actors and commit to develop a dedicated crisis and fragility financing initiative that bridges immediate crisis response, enables countries to better prevent and manage risks and promotes long-term development.

Target:

* **40% of international financing to countries in crisis and fragile settings** **addresses the root causes of fragility and promoting resilience** and sustainable development by 2030.

**Element: Strengthening financial integrity and governance**

Language:

*The financing crisis cannot be addressed without fundamental changes to national and global governance systems. Their legitimacy depends on financial integrity and we reaffirm the Principles of effective governance for sustainable development (E/2018/44-E/C.16/2018/8, para 31) and commit to strengthening accountable, inclusive and effective governance processes.*

# II. Addis Abba Action Areas (A-G)

## Domestic public resources

### Element: Strengthening domestic revenue mobilisation

Language:

We recognize the importance of increasing domestic revenue mobilisation to meet SDG spending needs. Multilateral support can enhance efforts to increase the quantity and quality of revenue mobilisation for the SDGs including through platforms such as the Addis Tax Initiative. Ten years on from its introduction in the Addis Ababa Action Agenda we recognise the success of the UNDP – OECD Tax Inspectors Without Borders (TIWB) initiative in strengthening capacity and increasing revenue mobilisation. We commit to strengthening TIWB to mobilize additional revenue for developing countries.

Progressive taxation can reduce inequality while mobilizing resources for sustainable development. We commit to exploring options to improve the measurement and taxation of High-Net-Worth Individuals (HNWIs).*[[3]](#endnote-4)*

Health-related taxes offer potential to generate revenue while improving public health outcomes and will strengthen taxes on products that contribute to noncommunicable diseases, including tobacco, alcohol, sugar-sweetened beverages.

Targets:

* Tax revenues reach **15% to GDP** in all countries by 2030.
* Mobilize an additional **$100 billion in tax revenue** for developing countries through **Tax Inspectors Without Borders** by 2030.
* Generate at least **$200 billion** in additional **tax revenue from high net-worth individuals** in developing countries by 2030.[[4]](#endnote-5)
* Generate **$250 billion** from **health-related taxes** by 2030.[[5]](#endnote-6)

### Element: SDG and sustainability-linked debt instruments

Language:

Rising debt amplifies developmental challenges due to the cost of servicing debt. We commit to scaling support to LDCs, emerging and frontier markets to access the debt market through the development of SDG, sustainable, sustainability-linked, green, blue, nature-related or other thematic bond instruments, including debt swaps, that increase investment in sustainable development.

Target:

* 10% of sovereign bonds issued use SDG, sustainability-linked, green, blue or other thematic bond instruments, supporting increased sustainable development investment.

### Element: Fiscal policy coherence for SDGs

Language:

Each element of public finance can have differentiated effects, contributing positively or negatively toward gender equality, the climate and biodiversity. We commit to building greater coherence across public expenditure, tax and debt in SDG delivery. We will strengthen government capacities to identify synergies and trade-offs across tax and expenditure policy in service delivery, accelerating gender equality and women’s empowerment, climate action and nature priorities and reinforcing the social contract to build trust in institutions.*[[6]](#endnote-7)* We will deepen collaboration across the UN and IFIs in supporting countries, including expanding the Platform for Collaboration on Tax to consider integrated fiscal strategies covering both tax and expenditures, bringing together the IMF, World Bank, UN and OECD.

Target:

* Commitment to **fiscal policy coherence**, where expenditure and tax policy work together to accelerate gender equality and the SDGs, covering **$2 trillion** in annual tax revenue and expenditure together by 2030.

### Element: Development-outcome focused PFM reform

Language:

Public finance is a crucial driver of SDG and NDC outcomes. We commit to public financial management reform and institutional reforms that accelerate gender equality, NDCs and SDGs, including building on greater collaboration between the World Bank, IMF, UN agencies and development partners.

Target:

* All new PFM reform programmes explicitly state how reforms will contribute to one or more specific sustainable development outcomes.

### Element: Global approaches to address illicit finance

Language:

We commit to establish an inclusive global coordination mechanism on illicit financial flows at UNECOSOC as a formal structure for coordinating initiatives that address illicit finance across geographies and areas of focus, to catalyse a systemic level approach to financial integrity.

We recognize the critical role of professional service providers in enabling illicit financial flows and the challenge of varying standards across professions and jurisdictions. We will explore the viability of global norms for enabling professions that ensure they play a more inclusive, accountable and effective role.

## Domestic and international private business and finance

### Element: Leveraging private capital for the SDGs

Language:

Accelerating progress toward the SDGs and Paris Agreement requires scaling SDG-aligned private investment, including in crisis and fragile settings. It is important to improve information on investment in emerging markets. We commit to promoting inclusive and innovative financing mechanisms, including risk-sharing and impact investments.*[[7]](#endnote-8)* We will deepen partnerships between the private sector, investors, policymakers, multilateral and public development banks, and development institutions. We will work with investors to embed sustainability at the core of their operations, building SDG-aligned pipelines, investment promotion and facilitation, de-risking and promoting financing opportunities including corporate thematic bonds, with the support of data-driven technical assistance.

Target:

* Net capital private inflows to developing countries are sustained at over xx% GDP

### Element: SDG finance taxonomies

Language:

Clear definitions about what constitutes sustainable finance are essential for sustainable markets and economies. We encourage continued uptake of sovereign-led sustainable finance taxonomies that are globally comparable and interoperable to enable greater access to global markets. We encourage continued development of policy incentives that build on sovereign taxonomies to strengthen sustainable investment within national financing frameworks. We will strengthen capacity for sustainable finance taxonomies.

Target:

* Uptake of sovereign-led globally comparable and interoperable **sustainable finance taxonomies**, **aligning $500 billion** by 2030.

### Element: Sustainability Standards, Financial Disclosure, corporate reporting requirements and impact management and measurement

Language:

Investment should generate positive social and environmental impacts for NDCs and the SDGs, contributing to transition plans while yielding financial returns. All aspects of the private investment and financial ecosystem must be strengthened, including appropriate levels of regulation, moving beyond ESG factors alone to comprehensive risk and impact management, adopting SDG-aligned approaches. Financial disclosure related to sustainability risks and opportunities is critical for a financial system that works for people and planet. We take note of the ongoing work of ISSB, the Taskforce on nature-related financial disclosures and the Taskforce on inequality and social-related financial disclosures in enhancing understanding and providing tools for market actors to identify, assess, manage and report on sustainability-related impacts, risks and opportunities. We will deepen partnerships between standard-setting bodies and development actors and welcome ongoing initiatives to strengthen SDG impact standards for impact management systems, which complement disclosure standards, including the ISO/UNDP Guidelines for contributing to the UN Sustainable Development Goals. We will ensure standards, disclosure and corporate reporting requirements, as well as sustainable finance taxonomies and related regulation, do not constrain developing countries’ access to international capital markets and that all stakeholders have access to adequate capacity development.

Targets:

* Uptake of **sustainability policy and regulation in 100 economies and 100 major financial institutions**, aligning **$2 trillion** capital annually.
* **Corporate sustainability disclosure and reporting** by firms with a combined market capitalization of **$50 trillion** by 2030[[8]](#endnote-9)
* Adoption of **impact management and measurement** practices, and ISO/UNDP Guidelines (and upcoming Management system Standards) by firms with a combined market capitalization of **$10 trillion** by 2030.

### Element: Building financial resilience through insurance

Language:

Insurance plays a critical role managing and mitigating risks in the face of external shocks such as climate and geological disasters and health emergencies. Within broader risk management efforts, insurance mechanisms provide a safety net for communities and nations, including fragile states, reducing vulnerability, improving resilience, enabling recovery and reducing the economic and social impacts of disasters. Risk management tools including insurance allow governments and development banks to better allocate resources to protect vulnerable populations. This strengthens local economies and contributes to global financial stability by mitigating potential shocks. We commit to build insurance markets and increase coverage, reaching vulnerable countries and communities in partnership with governments, the insurance industry, development and financial institutions. We will integrate insurance into financial planning (INFFs) and development frameworks including NDCs, NAPs, Social Protection, etc.

Targets:

* Scaling **insurance instruments in 100 countries**, reaching **penetration** of at least **5%** in developing countries.
* Economic impact of **climate and geological disasters covered by insurance and risk finance** solutions of **$150 billion** per annum by 2030.

### Element: Insurance as an enabler of investment

Language:

*Insurance is an enabler of investment, especially in long-term projects. We recognise that what is uninsurable is uninvestable. Insurance solutions transfer risk from investors to insurers, enabling critical public and private investments, including sectors such as infrastructure, renewable energy and climate change adaptation, where the risks of long-term investments can be high. Insurance builds resilience and alignment with social and environmental goals, mitigating risks while contributing to economic growth and sustainable development. We commit to develop generation insurance and risk finance solutions, available to the public and private sector, through partnership between governments, the insurance industry, development and financial institutions.*

Target:

* **Annual capital investment in development enabled through improved insurance protection** of **$80 billion** by 2030.

## International development cooperation

### Element: Development effectiveness

Language:

We reaffirm commitment to effective development cooperation and its principles. Effective development cooperation depends on a common platform to ensure high quality, impactful cooperation across traditional development assistance, humanitarian assistance and global public goods. International cooperation in crisis and fragile settings requires tailored approaches including long-term, flexible financing and technical support to build resilience, foster inclusive governance, and strengthen local capacities. We commit to evidence-based, multi-stakeholder dialogues on effective development co-operation to inform planning, budgeting, implementation and allocation decisions. INFFs are crucial for enhanced development cooperation. We recognise the International Aid Transparency Initiative (IATI) as an open data standard and platform for anchoring effective development cooperation across all forms of international financing.

### Element: G20 Framework of support for INFFs

Language:

We take note of G20 Leaders’ endorsement of the G20 Framework of voluntary support to INFFs and welcome continued implementation by G20 members in support of sovereign INFFs.

### Element: International aid transparency initiative

Language:

The AAAA recognised the need for greater transparency in development finance, and we welcome the expansion of timely, comprehensive, forward-looking data on external development resources published to the IATI from diverse development actors. We note the growing complexity of the financing landscape and the need for quality data to assess resources for sustainable development priorities at the country level. We reaffirm the need for the range of international finances to be published to the IATI Standard.

D. International Trade as an engine for development

## E. Debt and debt sustainability

Language:

*The continued lack of access to effective debt restructuring and liquidity support poses major constraints for countries in or at high risk of debt distress. Debt service payments crowd out spending on sustainable development.* We commit to exploring innovative debt relief mechanisms to ensure that countries can recover while maintaining fiscal stability and investment in key sectors.

We call for simplifying and improving the design, transparency and financing of debt swaps, including concrete measures to support countries with the costs of transactions, technical assistance, information-sharing, credit enhancement and risks.

### Element: Inclusive, accountable, effective debt treatment

Language:

*We reiterate our call to improve the G20 Common Framework for Debt Treatment, enabling countries to obtain access to an effective, predictable, coordinated, timely and orderly restructuring process while ensuring comparability of treatment between sovereign and private creditors.[[9]](#endnote-10) We welcome the invitation extended to the IMF to review ways to strengthen and improve the sovereign debt architecture in collaboration with the UN Secretary General, the world bank, the G20 and major bilateral creditors and debtors.[[10]](#endnote-11) We recognize that appropriate institutional structures must be in place, internationally and nationally, to ensure borrowing and lending is effective, accountable and inclusive. We welcome proposals such as a sovereign debt workout mechanism, global norms for sovereign lending and borrowing, a publicly accessible registry of debt data, and increased transparency in Credit Ratings Agencies (CRAs).*

**Element: Liquidity support and long-term affordable development financing**

Language:

*High debt levels, borrowing costs and refinancing needs constrain SDG investment. Without liquidity support, development trade-offs and solvency problems will intensify. We call for strengthened MDB reform, in line with the UN Secretary General’s SDG Stimulus Plan and support the setting of a more ambitious climate finance target which reflects the inherent inequality between emissions and the impacts of climate change, needs and the rapidly closing window to avoid catastrophic levels of warming. We support exploring the use of official-sector credit enhancement to lower the cost of private finance, including liability management operations such as debt-for-development swaps and buybacks.*

## F. Addressing systemic issues

### Element: IFA-reform

*We welcome ongoing reform to the IFA while calling for an acceleration of progress, building on the commitment in the Pact for the Future.[[11]](#endnote-12) Reforms must ensure greater voice and representation for the global south in global economic and financial governance institutions, and an architecture fit for purpose in a more shock-prone world. We recognise the reforms to mandates, analytical tools, lending capacity, country engagement strategies and private finance mobilization that all major MDBs are planning or implementing. We recognise the need for ambition beyond existing resources and call for shareholders to commit to increasing MDB lending capacity in line with the SDG Stimulus Plan.*

## Science, technology, innovation and capacity building

The AAAA laid the groundwork for science, technology, innovation and capacity building in development finance. Substantial advancements since 2015 amplify the need to build capacity and institutional capabilities across the science–policy nexus, ensuring countries and communities benefit from new technology and innovation.

### Element: Digital PFM systems

Language:

AI and digital tools can improve government financial management, making procurement, budgeting, and tax collection more transparent and efficient. We utilise technology to improve public finance efficiency, transparency and accountability, and build automated systems that help prevent illicit financial flows.

Target:

* **60% of low- and middle-income countries** have **digital public financial management systems** in place by 2030.
* **75% of low- and middle-income countries** implement AI-powered solutions to improve tax collection by 2030.

### Element: Technology to advance financial inclusion

Language:

We will harness existing and future technological advancements to improve and extend the reach of financial services to underserved populations. We will lower barriers to access credit, savings and insurance for individuals, smallholder-farmers and small businesses, addressing critical gaps in access.

Target:

* **Extend digital financial services** to an additional **1 billion people** worldwide by 2030, with a focus on women and marginalised groups.[[12]](#endnote-13)

### Element: Digital and AI solutions to drive private investment

Language:

Digital technologies and AI are reshaping financial and capital markets, improving risk pricing, credit allocation, impact analysis and driving greater accounting of the SDGs. We will harness the potential of digital technologies including blockchain and smart contracts to attract private capital for sustainable projects while reducing risk, enhancing transparency and trust and facilitating innovations such as green bonds future biodiversity credit markets.

# III. Data, monitoring and follow-up

### Element: Beyond GDP

Language:

We reaffirm the need to urgently develop measures of progress on sustainable development that complement or go beyond gross domestic product. These measures should inform understanding of progress and interactions in the economic, social and environmental dimensions of sustainable development, including unpaid care work, informing access to finance and technical cooperation. We look forward to the establishment by the UN Secretary-General of an independent high- level expert group to develop a value dashboard for a limited number of key indicators that go beyond GDP and to present the outcome of its work during the 80th session of the General Assembly with a view to inform the UN intergovernmental process on Beyond GDP;
We call for the timely Initiation of a UN intergovernmental process by the President of the General Assembly, in consultation with relevant stakeholders, including international financial institutions, multilateral development banks, regional economic commissions *and UN entities*, on measures of progress on sustainable development that complement or go beyond gross domestic product, in the 80th session of the General Assembly.

### Element: Transparency and open data

Language:

We note the growing commitment to transparency initiatives and open data standards, including IATI and note its interoperability with other reporting standards. We will strengthen efforts to promote access to reliable data to inform decision making and mutual accountability.

### Element: FfD5 timetable

Language:

*We commit to convening the FfD5 conference in 2030 as part of the process for determining the post-2030 Sustainable Development Agenda.*

1. Background: 86 countries are using the INFF approach. [↑](#endnote-ref-2)
2. Taken from [SDG Stimulus](https://www.un.org/sustainabledevelopment/wp-content/uploads/2023/02/SDG-Stimulus-to-Deliver-Agenda-2030.pdf). [↑](#endnote-ref-3)
3. Pact for the Future (PftF) paragraph 4(j). [↑](#endnote-ref-4)
4. Background: Gabriel Zucman’s [report](https://gabriel-zucman.eu/files/report-g20.pdf) estimates that a 2% minimum wealth tax on billionaires would raise $200-$250 billion per year globally from about 3,000 taxpayers. [↑](#endnote-ref-5)
5. Background: the Task Force on Fiscal Policy for Health [estimates](https://www.bloomberg.org/press/task-force-on-fiscal-policy-for-health-releases-new-report-increasing-health-taxes-could-raise-us3-7-trillion-over-the-next-five-years/) that a 50% price increase in tobacco, alcohol and sugary beverages through increased excise taxes could generate US$3.7 trillion in additional revenue over five years (US$2.1 trillion in low- and middle-income countries). [↑](#endnote-ref-6)
6. Building on Convention on Biological Diversity, Target 18. [↑](#endnote-ref-7)
7. Pact for the Future paragraph 4(k). [↑](#endnote-ref-8)
8. Background: Market capitalisation of stock exchanges worldwide is $118 trillion. Source: [World Federation of Exchanges](https://focus.world-exchanges.org/issue/october-2024/dashboard). [↑](#endnote-ref-9)
9. PftF 50(d) [↑](#endnote-ref-10)
10. PftF 50(b) [↑](#endnote-ref-11)
11. PftF 49. [↑](#endnote-ref-12)
12. Background: 1.4 billion people (24% of adults) worldwide are unbanked. <https://blogs.worldbank.org/en/allaboutfinance/expanding-benefits-financial-services> [↑](#endnote-ref-13)