

FERDI's 10 proposals in the lead up to the Summit for a New Global Financing Pact

Clermont-Ferrand, 17 May 2023

Organize the new financing pact

Proposal 1

- *Objective*: Strengthen the transparency of the international development finance architecture, recognize its multiple purposes, going beyond the strict ODA perspective, identify overlapping and inform on possible crowding out of poor countries development by the protection of global public goods.

- *Modus operandi*:

(i) Implement a standardized financial flows reporting system, that encompasses the major providers, including China, as well as the recipient countries and enlightens multiple purposes;

(ii) this can be done by a deep reform of the OECD's Development Assistance Committee or by the creation of another independent body, possibly inspired by the G20 Common Framework for Debt Treatments.

<https://ferdi.fr/publications/financer-des-politiques-mondiales-mais-pourquoi-donc>

Proposal 2

- *Objective*: Tackle the fragmentation of development finance to enhance its effectiveness.

- *Modus operandi*:

(i) Consolidate earmarked funds within host multilateral institutions and integrate there, when possible, independent vertical funds, in particular climate finance funds;

(ii) evaluate their results and enhance their accountability. Ensure that overlapping and inconsistency are avoided through the system of reporting and evaluation, as indicated in Proposal 1.

<https://ferdi.fr/publications/fonds-climatiques-l-heure-du-grand-menage-a-sonne>

<https://ferdi.fr/publications/opinion-the-world-bank-should-become-the-imf-of-climate>

Proposal 3

- *Objective*: Ensure the consistency of the various sources of external finance within the national development strategies and with global issues.

- *Modus operandi*:

(i) Implement country platforms that coordinate contributions and promote convergence around core standards, as encouraged by the G20, ensuring that they involve all stakeholders under the leadership of local governments;

(ii) and transform them into regional platforms when the challenges of the policies developed go beyond national borders.

<https://ferdi.fr/publications/diversification-et-fragmentation-du-financement-public-du-developpement-rendre-moins-opaque-et-rationaliser-la-structure-eclatee-des-financements-du-developpement>

Mobilize really additional resources

Proposal 4

- *Objective*: Scale up private finance for development and design public interventions to crowd in the private sector.

- *Modus operandi*: Reform the World Bank Group to take the lead on changing the traditional MDB and DFI operating system. Deepen the cooperation among IBRD, IDA, IFC and MIGA. In particular:

(i) based on country private sector diagnostics and strategies, proactively work “upstream” to design and develop bankable projects, especially in poorest countries;

(ii) improve coordination between policy discussions and potential market creation and investments;

(iii) deepen and expand work on development of local financial markets;

(iv) systematically seek private solutions and investments for income-generating projects following a “cascade approach” i.e., along a spectrum of solutions between purely private on one end and purely public investments on the other side of the spectrum;

(v) generalize and coordinate the offer of guarantees to private investors;

(vi) and establish a group-wide joint Key Performance Indicator on private capital mobilization.

<https://ferdi.fr/publications/mustering-the-private-sector-for-development-and-climate-in-the-global-south-is-it-realistic>

Proposal 5

- *Objective*: Use international carbon taxation to achieve a double climate and development dividend.

- *Modus operandi*:

(i) Lift the tax exemption on kerosene used by civil aviation for international flights and use the proceeds for the "loss and damage" fund resulting from the COP 27 negotiations;

(ii) such an aviation tax should be calibrated in order to harmonize carbon pricing among various types of fuel and could be extended to international maritime transport in a second step.

<https://ferdi.fr/publications/la-taxation-des-carburants-de-l-aviation-civile-comme-source-de-financement-a-destination-des-pays-vulnerables>

Proposal 6

- *Objective*: Design fiscal management strategies to face climate change while avoiding over-indebtedness.

- *Modus operandi*:

(i) Find ways to better include medium and long-run financing constraints, risks and possibly expected investment returns generated by climate change to assess debt sustainability of vulnerable countries;

(ii) promote a widespread use of contingent debt instruments in case of natural disasters to provide rapid and automatic support to vulnerable countries;

(iii) ensure access to exceptional concessional resources for countries facing climate-driven strong exogenous shocks, and efficient private and public creditors' coordination to provide debt relief and avoid debt crises;

(iv) develop new concessional channels to finance mitigation policies in LICs without tapping in existing concessional resources.

<https://ferdi.fr/publications/soutenabilite-de-la-dette-et-changement-climatique>

Allocate funds where they are needed the most

Proposal 7

- *Objective*: Make that concessional development funds be allocated in priority to poor and vulnerable countries.

- *Modus operandi*:

(i) agree to take vulnerability into account in the rules of allocation between countries of concessional resources (and not only in the rules of eligibility to these resources);

(ii) invite the multilateral financial institutions to use an index of vulnerability reflecting the various forms of structural vulnerability in their allocation formulas, rather than create a new category of countries;

(iii) report and assess the actual orientation of concessional flows from each donor according to the poverty and the vulnerability of final recipients, through the system designated in Proposal 1.

<https://ferdi.fr/publications/financer-des-politiques-mondiales-mais-pour-qui-prendre-en-compte-la-vulnerabilite-des-pays>

<https://ferdi.fr/publications/pourquoi-il-n-est-pas-opportun-de-creeer-une-categorie-generale-de-pays-vulnerables>

<https://ferdi.fr/publications/prendre-en-compte-la-vulnerabilite-dans-la-repartition-mondiale-des-financements-concessionnels>

Proposal 8

- *Objective*: Build a consensus on a priority support to the sustainable emergence of entrepreneurs in poor and fragile countries.

- *Modus operandi*:

(i) Help small and medium enterprises along their growth path, by funding a range of tools in target countries, including incubators and business accelerators, pre-investment programs, and sustainable financial vehicles that cover the equity needs of small businesses;

(ii) reform the practice of the DFIs by inscription of this agenda in their mission, and changing their business model so that it takes in account the extra financial impacts of SMEs;

(iii) obtain a global commitment of a coalition of main actors to support this policy by annually granting 400 million USD over ten years for Africa, to implement it; create a large listed fund of funds promoted by the largest donors to attract large private flows into this policy; reform the private sector window (PSW) of the World Bank and the EU blended funds to allow better access and performance.

<https://ferdi.fr/publications/des-millions-pour-des-milliards-acceler-ler-emergence-entrepreneuriale-africaine-pour-une-croissance-acceleree-durable-et-riche-en-emplois>

Proposal 9

- *Objective:* Reverse under-investment in the agriculture of poor and vulnerable countries.

- *Modus operandi:*

(i) Enhance land property rights management;

(ii) support investment in local R&D, resilient technologies adapted to local contexts, innovative risk management tools (index insurance, indexed lines of credit), the expansion of irrigation and other forms of water control; building inclusive value chains;

(iii) in particular by setting up a scheme likely to allocate public grants to private investments in agricultural value chains on the basis of their impact and risks.

<https://ferdi.fr/publications/sept-propositions-pour-soutenir-et-financer-le-secteur-agricole-en-afrique-subsaaharienne-dans-le-contexte-du-changement-climatique>

Proposal 10

- *Objective:* Strengthen the effectiveness of budget support by enhancing country ownership

- *Modus operandi:*

(i) Request from countries to clarify the consistency between the objectives of their development strategy and their specific policy reforms as well as the investments needed, in particular by systematically comparing public expenditure reviews and poverty assessments (sectoral and geographic mapping);

(ii) promote increased channeling of foreign-sourced funds through the national budgetary system and avoid the multiplication of specialized external agencies;

(iii) promote as far as possible a support based on results, including for the support to mitigation.

<https://ferdi.fr/publications/l-efficacite-du-financement-du-developpement-le-point-de-vue-du-praticien>

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