PRÉSIDENCE DE LA RÉPUBLIQUE

SUMMIT FOR
A NEW GLOBAL
FINANCING PACT

Chair's summary of discussions at the Summit on a New Global Financing Pact

Public and private actors gathered in Paris on June 22-23 and affirmed their collective determination to address the joint climate, nature and development challenges through increased global cooperation. They took a series of engagements that will contribute to updating the international financing system – almost 80 years after the creation of the Bretton Woods institutions – and to improve the protection of global public goods necessary to secure and heal the planet while ensuring affordable financing for the poorest.

These efforts to inject more efficiency and equity into the international financing system are more than ever essential. Overlapping crises have exposed an additional 120 million people to poverty over the past three years, and evidence shows that the transition towards a net zero and biodiversity positive world consistent with the Paris Agreement 1.5° target and with the Kunming-Montreal Framework will require a significant transformation of economies and societies. Protecting the planet will also require a shift from billions to trillions in global investments.

Faced with the most challenging environment in decades, leaders in Paris affirmed that 2023 could be transformed into a year of opportunity. They exchanged views on a wide range of policy issues, which led to the identification of a series of priority actions towards the objective of building a more shock-responsive and resilient financial system fit for the challenges of the 21st century. They affirmed that no country should ever have to choose between reducing poverty, achieving a green transition and preserving the planet. Fighting poverty and fighting climate change converge. But the transition may be hard and poor people may be especially affected. Leaders affirmed that addressing new, global, challenges would not be done at the expense of the fight against global poverty.

With this objective in mind, they converged on a shared ambition to win the battle against poverty and vulnerabilities; to stand united in increasing international solidarity; to protect global public goods; and to mobilize the additional resources it takes to meet these challenges, especially on the private sector side. They acknowledged the importance of the UNSG's SDG Stimulus plan, as well as of other contributions including the "Bridgetown 2.0" agenda and the V20's Accra-Marrakech Agenda in this regard.

These commitments will support the Paris agenda for People and Planet, which aims at identifying key policies and to be advanced during key milestones of the international agenda in 2023 and 2024, which include the G20 Summit in Delhi; the UN SDG Summit; the IMF and World Bank Annual Meetings in Marrakech; and COP28 in Dubai.

This summary of discussions is established under the responsibility of the Summit's chair, with the purpose of reflecting key issues discussed and concrete commitments announced during the Summit on a new Global Financing Pact that took place in Paris on 22-23 June 2023.

1. WIN THE BATTLE AGAINST POVERTY AND VULNERABILITIES

Vulnerability needs to be addressed in its many dimensions. Crises will occur with increasing frequency. Climate change and extreme climate events are a major cause - but crises are also driven or amplified by conflicts, population growth, and urbanization. Poverty and inequalities remain at high levels, and a growing number of low- and middle-income countries face unstainable debt trajectories.

In this fight, **education financing is an investment, and not a cost**. If all adults completed secondary education, 420 million could be lifted out of poverty, reducing the total number of poor people by more than half globally and by almost two-thirds in sub-Saharan Africa and South Asia. More than ever, financing deployed to reduce the effects of crises and achieve the 2030 Agenda must also take gender equality into account in order to achieve maximum impact by forging a more equitable and inclusive world.

Because there can be no sustainable development when debt looms, leaders discussed ways forward to ensure that debt is used as a viable tool to finance sustainable development needs and to give more room for manoeuvre when natural catastrophes occur. They further looked at possible ways to secure a sufficient amount of concessional resources for least developed and most vulnerable countries.

Discussions focused on solutions that can help alleviate the debt burden through adequate renegotiations/restructuring, or reorient financing from debt repayment towards investments into resilience, short-term responses to crises and the protection of global public goods.

- Efforts should continue to **restructure the debt of Ghana and Zambia**, through the G20/Paris Club Common Framework. The agreement reached by the Official Creditor Committee for a debt treatment proposal presented to Zambia the week of the Summit marks a historical achievement for **Zambia** and more importantly the Zambian people. It will unlock the 2nd disbursement of the IMF program to be presented at the IMF board in July.

- There was a broad call for timely delivery and strengthened clarity on the **process of the Common Framework**.

- **The positive impacts of buyback of private debt** as a means to free up financing for development, climate or nature positive projects were underlined, and could be encouraged through high-level principles to guide and support the deployment of this instrument. Colombia, Kenya and France proposed the establishment by COP28 of a **Global Expert Review on Debt, Nature and Climate** to assess the impact of debt on low- and medium-income countries capacity to preserve nature, adapt to climate change and decarbonise their economies. The Inter-American Development Bank also called on all MDBs to help scale-up these transactions.

- Côte d'Ivoire and France have agreed a debt reduction and development contract in which 1.14 Bn€ of Ivorian bilateral debt will be converted into grants to finance various development projects including 72.1M€ million dedicated to education.

In a world where climate-related disasters are more frequent, we need global safety nets to protect the most vulnerable and provide them with adequate financial resources when they need them most. Significant new steps were made in this direction:

- The UK, France, the United States, Spain, Barbados, the World Bank Group and the Inter-American Development Bank launched a call to action to bilateral, multilateral and private sector creditors to offer **climate-resilient debt clauses** by the end of 2025, with a group of early movers offering the clauses by COP28, so that borrowing nations have the necessary fiscal room to respond fully to shocks.

- The World Bank Group announced the strengthening of its capacity to assist countries in **preparing and responding to crises**, through additional assistance to develop crisis preparedness, development of new types of insurance to provide safety nets to development projects and additional flexibility to allow countries to reallocate financing to emergency response during crises.

- 270 M€ have been mobilized so far to support the **Global Shield against Climate Risks** in climate-vulnerable countries, that can be expected to leverage 2.9 Bn€ of additional concessional finance (from MDBs and others) and mobilize around 5.1 Bn€ of private risk capacity. Additional partners are invited to join this common effort.

To attenuate vulnerabilities, financial decisions should be based on criteria that fully take into account the impact of climate change and threats to biodiversity, as well as the overexposure and vulnerability of some countries to these challenges. This assessment led to the following takeaways:

- The launch of a process to **define vulnerability** could lead to a common definition of the multidimensional effects of vulnerability among multilateral development banks (MDBs) and its possible impacts in determining the eligibility to concessional resources.

- There is a need to identify **conditions and criteria under which concessional, low-cost finance** could be mobilised to tackle global challenges. A first impact assessment coordinated among multilateral development banks, including to ensure that this would not negatively impact poorest countries' allocations, could provide a useful step towards that objective.

- The IMF and the World Bank were encouraged to advance towards the inclusion of climate vulnerability in their **debt sustainability analyses**, in particular to reflect the positive impact of climate-focused investments.

- The World Bank announced the publication of new **Country Climate and Development reports** by COP28.

2. STANDING UNITED IN INCREASING INTERNATIONAL SOLIDARITY

Every approach to mobilize and increase sources of low-cost finance should be actively explored. In May 2021, the Summit for the financing of African economies led to the adoption of a commitment to mobilize 100bn USD of Special Drawing Rights or equivalent contributions for the benefit of countries in need, to provide additional resources for countries with limited financial breathing space. This effort is essential at a time when the most vulnerable countries require short-term financial support to respond to urgent needs. New, innovative and stable sources of finance - borne out of international solidarity - will be necessary in the future. Leaders are determined to keep working together on this important issue.

- **The 100bn USD goal was reached in June 2023**, making additional financing available to fight poverty and build resilience and sustainability through relevant IMF instruments thanks notably to engagements from 14 countries to reallocate at least 20% of their SDRs, and also noting the contributions of countries that have reached 40% of SDR reallocation.

- The goal to reach 35bn USD of contributions to the **IMF's Resilience and Sustainability Trust** was achieved, reaching 41bn USD in June 2023 and leading to a renewed target of 60bn USD. In addition, there was a call to close the financing of the Poverty Reduction and Growth Trust (PRGT), of 1,2bn USD, by the WB/IMF Annual meetings in Marrakesh in October 2023.

- The positive conclusion of the pilot phase to **reallocate SDRs to regional development banks**, with potential important leverage on additional financing, was strongly supported.

- The likelihood of **reaching the 100bn USD climate finance** commitment in 2023 was strongly welcomed, and should be further supported by confirmed figures provided by contributors and reported by the OECD.

More than ever, international solidarity and transfers from the richest countries to the most vulnerable ones are essential to shape a fairer world. A new accounting method that takes into account efforts to mobilize private financing can make a significant change to scale up these contributions and help them move the right way. This is part of a global call to evolve towards investments for solidarity.

- The OECD is encouraged to propose, at the DAC High Level Meeting scheduled in November 16-17th 2023, **a new narrative and vision for development in international support**. Without preempting debates to come, this new narrative should aim to better integrate climate, biodiversity and water issues, and would serve as a basis for more coherent and effective action by official donors, while completing their mandate. This new vision should also build on the evolution of the Total Official Support for Sustainable Development (TOSSD) standard.

- In May 2023, the Participants to the **Arrangement on Officially Supported Export Credit** reached an agreement to modernize the Arrangement after several years of negotiations. The aim of the Agreement is to make Arrangement financing flexible enough to better face challenges posed by the economic and financial needs of projects as well as to create further incentives for supporting a wider range of climate-friendly transactions. The modernized Arrangement will also introduce further repayment flexibilities and adjust the minimum premium rates for credit-risk for longer repayment terms, allowing high-risk buyers to invest in infrastructure projects the energy transition requires.

- At the Summit, all the 550 Public Development Banks – multilateral, regional and national – existing in the world are members of **the Finance in Common (FiCS) coalition**. They committed to work as a system, and cooperate in order to align their activities with the SDGs, the Paris Agreement on Climate and the Global Biodiversity Framework. They decided to reinforce their ties with the other coalitions of financial actors notably GFANZ, OPSWF and NGFS. .

- On the first day of this Summit, the "**Paris Dialogue on Financing for Sustainable Development**" was launched to build with Paris-based institutions, such as the OECD, UNESCO and AFD, an international hub – inclusive and open to all – on financing for sustainable development and will launch a Forum on

Emerging markets. The Paris Dialogue will support ongoing multilateral discussions on financing sustainable development, including in the UN, G20, G7, and through the COP series and Finance in Common Summits, and carry forward the spirit of this Summit by incubating new ideas and solutions and promoting synergies and collaboration across institutions. The Paris Dialogue will play a key role in monitoring progress, bringing different perspectives and stakeholders together, including of the Civil Society and the Private Sector.

Totaling 42 billion USD from 2016 to 2019, private philanthropy for development has become an integral part of the development finance landscape and represent an ever-growing share of the global effort to finance global public goods and a complement to Official Development Assistance to alleviate poverty and meet the SDGs.

- **A coalition of 16 philanthropic organisations [1] expressed, through a communiqué, a renewed ambition** to further strengthen synergies between public finance and private philanthropies to leverage investments, provide strategic support around SDG's priorities, and unlock further investments for climate in low- and middle-income countries, while remaining fully committed to alleviate poverty and inequality.

3. PROTECTING THE PLANET AND OUR SHARED GOODS – CLEAN AIR, FORESTS AND OCEAN

The transition towards a net-zero and biodiversity-positive world requires systemic transformations of key sectors of the economy. Steady economic growth, a strong human capital base, and changes to production and consumption patterns are necessary elements to this transition. In the meantime, all countries must be able to adapt and make their societies and economies resilient to climate change.

Giving a price to carbon consistent with Paris Agreement objectives and based on transparent standards and mechanisms can play a significant role in curbing GHG emissions and generating additional revenues for the climate transition and the preservation of carbon sinks. Yet, only 39 national jurisdictions have implemented carbon-pricing initiatives, and less than 4% of global emissions are currently covered by a direct carbon price in the range needed by 2030 to meet 1.5°C goal. Enhancing the potential of such instruments will require scaling up compliance and voluntary carbon markets at domestic and international levels and ensuring their integrity through widely accepted standards.

1. Bezos Earth Fund, Bill and Melinda Gates Foundation, Children's Investment Fund Foundation, Fondation S, Bloomberg Philanthropies, the Rockefeller Foundation, Sawiris Foundation for Social Development, WEF/GAEA, WAPPP, Aga Khan Foundation, British Asian Trust, AVPA, the African Climate Foundation, the Partnering Initiative, European Community Foundation Initiative.

- **A Call to Action for Paris-aligned Carbon Markets**, supported by 31 countries, was launched with the objective to make progress across three pillars: 1) expanding and deepening domestic carbon pricing instruments in line with the Paris goals, 2) fully implementing the agreed rulebook for international compliance markets, 3) ensuring high integrity in voluntary carbon markets.

- France and the UK have initiated a process to steer a **global roadmap on bio credits** (biodiversity positive carbon credits and biodiversity certificates) in order to create the conditions of an increased private sector's investment on the natural capital, by pooling together the required expertise and identifying specific time-bound actions to be taken by the upcoming climate and biodiversity COPs.

- The Task Force on Nature-related Disclosure (TNFD) announced that it would publish in September 2023 a **framework for nature-related risk management and disclosure**, which should pave the way for future nature and biodiversity standards.

Building on national needs, country-led and multi-actor partnerships are key to coordinate the action of relevant actors and scale up investments in green infrastructures and in nature in emerging and developing countries. They can play a key role in supporting national energy transition pathways leading to our common goal of halving the greenhouse gas emission by 2030 and achieving net zero by 2050 at the latest in order to keep a limit of 1.5 °C within reach.

- **A Just Energy Transition-Partnership** was established between Senegal and G7 countries to support Senegal's transition to 40% of renewable energy in the country's energy mix by 2030, and raising initial commitments of 2,5bn USD from bilateral donors, multilateral development banks and private investors.

- A first set of **country packages for forests, nature and climate** could be prepared by COP 28 by interested countries, with the support of all relevant international partners willing to joint this effort.

- The International Finance Corporation announced its intention to launch a **collective initiative on water and climate** by COP 28.

Enhancing further decarbonisation efforts will be key to meet Paris Agreement objectives. New economic contributions, including mandatory mechanisms or taxation targeted at activities that contribute most to climate change can accelerate these efforts, while providing significant additional resources for climate action.

- The launch of a **taskforce to examine possible new financial resources through taxation** was proposed, which could present first conclusions by the Summit organized by Kenya in September 2023 on climate finance.

- 23 countries[2] and regional organizations committed to adopt an ambitious revised IMO GHG Strategy during the IMO's 80th Marine Environment Protection Committee (3-7 July 2023) in order to place the international maritime transportation sector on a pathway consistent with the goal to limit global temperature rise to 1.5 degrees. They also supported the adoption of the **principle of a levy on the greenhouse gas emissions of this sector**, as part of a basket of measures to implement this strategy, underlining that revenue from the levy should notably contribute

2 Barbados, Cyprus, Denmark, EU Commission, France, Georgia, Greece, Ireland, Kenya, Lithuania, Marshall Islands, Mauritius, Monaco, Netherlands, New Zealand, Norway, Portugal, Slovenia, Solomon Islands, South Korea, Spain, Vanuatu, Vietnam.

to a "just and equitable transition" of the shipping sector. This will be key to address the impacts of climate change. As a next step, these countries also support launching, by the end of 2023, a comprehensive impact assessment of the basket of measures agreed upon at the MEPC80 with the objective to approve it through the adoption of amendments to the MARPOL convention as soon as possible.

4. MOBILIZING ADDITIONAL FINANCIAL RESOURCES, ESPECIALLY FROM THE PRIVATE SECTOR

Multilateral development banks play a critical role in supporting efforts for financing SDG-aligned projects to achieve the 2030 Agenda for Sustainable Development. Their evolution will be key to allow additional financing to flow towards vulnerable countries' needs and the protection of the planet, in line with the 1.5° target and the Kunming-Montreal Global Biodiversity Framework.

- In Paris, 30 countries, in the presence of 8 Multilateral Development Banks, endorsed a vision **statement on Multilateral Development Banks** calling on them to continue to play a key role to promote just transitions and foster sustainable development at the global level and to implement a set of principles to make the most of the resources of the international financial system.

- The World Bank and other Multilateral Development Banks were called on to draw up **additional cooperation schemes among peers** and establish, when appropriate, common platforms to provide additional coordinated support.

- During the Summit, nine Multilateral Development Banks published a **common methodology on the alignment with the objectives of the Paris Agreement**. The World Bank Group announced the launch of a process to better integrate the impact of climate finance in adaptation and mitigation efforts in new projects, calling on Multilateral Development Banks and other members of the Finance in Common Coalition to launch similar initiatives.

- The EU Commission and European Investment Bank's **Global Green Bond Initiative** aims to provide technical assistance and 1bn EUR to derisk capital market instruments, in order to mobilize 15 to 20bn EUR for sustainable investments.

The magnitude of investments needed to keep climate change on track with the 1.5° objective and to preserve the world's biodiversity resources requires that private finance flows the right way, with ex-ante consultation and coordination with the private sector. Ensuring more stable, equal, and affordable access to capital and liquidity for everyone is key to financing the climate and energy transition in the decade to come.

Key success factors in this regard should include policies and regulatory tools that foster green investment strategies through disclosure and access to verifiable data, and strategies to lower risk and risk perception around projects that make the biggest difference for people, nature and climate. The global financial system undertook a major prudential overhaul to enhance its stability after the 2008 crisis. Time has come to assess the impact and consequences of this regulatory framework to identify and suppress potential unintended or unjustified disincentives that limit mobilization of international private capital in developing countries. In particular, regulation should better take into account innovative risk sharing mechanisms deployed by financial actors and notably public development banks.

- Partners encouraged Multilateral Development Banks to examine and possibly adopt relevant and **harmonised metrics for private capital mobilization** and to set **quantified targets** at the institutional level within their Key Performance Indicator (KPI) but also at the management and staff level through the introduction of ad hoc impactful performance-based indicators and bonuses.

- At the Summit, the World Bank Group launched **the Private Sector Investment Lab** with the aim to develop and rapidly scale solutions that address the barriers that are preventing the private sector from investing – at scale – in emerging markets and developing countries, with a specific focus on renewable energy and energy infrastructure.

- The multi-stakeholders and UN-supported Net Zero Data Public Utility (NZDPU) announced its intention launch **an open, free and centralized data repository** that will allow all stakeholders to easily access key climate transition-related data, commitments and progresses of business and financial institutions towards these commitments at COP 28.

- The International Sustainability Standard Board (ISSB) published in June 2023 its **comprehensive global baseline of sustainability disclosures** for the capital markets, taking into account specific needs of developing and emerging economies to ensure successful jurisdictional adoption of the standards.

- The Multilateral Investment Guarantee Agency announced that it would engage a **dialogue with financial regulators**, including the Financial Stability Board, to integrate guarantees offered by Multilateral Development Banks, in prudential models.

- MDBs and DFIs could seek to expand their **foreign exchange risk mitigation instruments** to address the rising currency risk challenges in developing markets.

- 40 countries expressed their willingness to **deploy of the SOURCE platform**, as a key factor to finance and label quality infrastructure, including through initiatives such as Fast-Infra. The International Development Finance Club (IDFC) was encouraged to strengthen capacities of public development banks and local actors for sustainable and bankable project origination and development, building on the success of the IDFC's technical assistance facility on climate. In addition, the Alliance for Green Infrastructure in Africa (AGIA) received financial and technical support by donors and financial institutions for early-stage project preparation and development capital for private sector investment in Africa, and further support could usefully be explored.

- The need for renewed **initiatives to better assess the actual level of risk of projects** in developing countries, with the disclosure of additional data to private investors, was underlined. The European Investment Bank (EIB) announced concrete progress towards the transformation of the Global Emerging Market Risk Database (GEMs 2.0), to facilitate access to GEMs statistics for rating agencies and private investors. This could constitute a major step in increasing transparency and predictability of credit ratings.

- The International Energy Agency will deliver recommendations early 2024 on ways to reduce the cost of capital for the energy transition in developing countries.

- The Financial Stability Board, through its discussions amongst its membership and with its Regional Consultative Groups, will continue to engage with developing countries on financing challenges as it implements its Roadmap for **addressing the financial risks from climate change**.

- At the Summit, additional support was committed to the **Alliance for entrepreneurship in Africa** by the International Finance Corporation, France and the European Bank for Reconstruction and Development.

- **Simplified and accelerated financing approval processes** by Multilateral Development Banks for small private sector projects in Low-Income countries were identified as a key possible improvement to facilitate access to much-needed financing.

- Establishment of **national strategies to support the development of the private sector** in low income and middle-income countries' economic development planning and public policies was identified as a strong accelerator and facilitator of access to financing.

- The OECD could organize, by the end of 2023, a **Task Force** to discuss progress, exchange information, and assess **best practices used to mobilize private sector finance** to achieve sustainable development, address climate change and protect biodiversity. Economic, investment, development, environment biodiversity and climate OECD data collections will be the basis of this Task Force's works. It would usefully complement work of the TOSSD by facilitating political and operational discussions between interested OECD Members on their results and impact in terms of mobilization of private finance.

To monitor progress, a **follow-up mechanism** will be put in place and will assess advances every six months. On this basis, a stocktake of progress and achievement of the objectives will be organized in 2025.