



# ANALYSIS

## Summit for a New Global Financial Pact

PARIS, JUNE 22-23 2023

This document provides an overview of the reforms and commitments for which we have been advocating throughout our [Power Our Planet](#) campaign. As we hold President Macron, other leaders and the private sector attending the Summit for a New Global Financial Pact accountable, these are the parameters against which we have measured the June 22-23 Summit's success.

## What Success Looks Like

### KEEP PAST PROMISES

- \$100B in SDRs reallocated this year, including through MDBs.
- Clear roadmap on how \$100B in climate finance will be met this year.

### FREE THE FUNDS

- MDBs commit to ambitious reforms to leverage more financing and to develop a joint financial target. In return, major shareholders commit to a recapitalization.
- Debt pause clauses adopted by a coalition of bilateral and multilateral creditors in the event of a natural disaster or pandemic.

### TRANSITION TO A LOW-CARBON FUTURE

- Coalition supporting the shipping levy to fight climate change in vulnerable countries.

**All commitments should be verifiable, assign clear responsibilities (for example, which actor/country is making the commitment, who will lead on it after Paris) and have a clear timeline for delivery.**

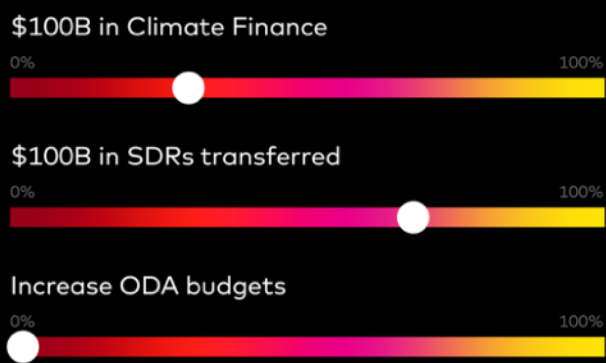


# SUMMIT SCORECARD

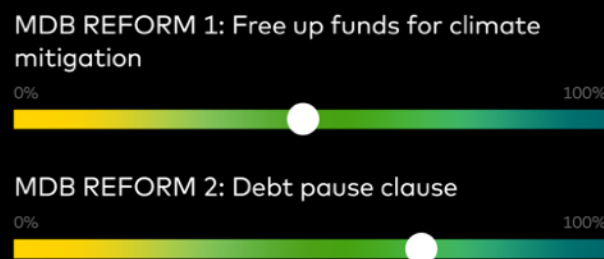
## Summit for a New Global Financial Pact

PARIS, JUNE 22-23 2023

### KEEP PROMISES MADE



### FREE UP FUNDING



### TRANSITION TO LOW-CARBON FUTURE



KEEP PAST PROMISES	ANALYSIS
<p><b><u>\$100B FOR CLIMATE FINANCING</u></b></p> <p>In 2009 wealthy countries committed to mobilize \$100B in climate financing for poorer countries. The objective was reiterated in the Paris agreement and meant to be met in 2020, and annually through 2025. However, in 2020, there was still a \$16B gap which still has not been filled.</p> <p>We need wealthy countries to finally close this gap and make it 'real' by publishing their data which shows progress in 2021, 2022, and this year. They should also show projections of how they plan to meet the goal in 2024 and 2025. As part of this, they need to increase adaptation financing in particular, to meet their goal of doubling funds for climate adaptation by 2025.</p>	<p>Economists Nicholas Stern and Amar Bhattacharya, commissioned by the COP28 Presidency, presented the conclusions of their work at the opening session, stating that the target is likely to be met this year. The Chair's Summary welcomed the likelihood of reaching the target in 2023. However, these statements mean nothing unless backed up by credible data provided by donors and verified and published by the Organisation for Economic Co-operation and Development (OECD), as referenced in the Summary.</p> <p>A new Just Energy Transition Partnership was announced between Senegal and the G7, with a 40% renewable energy target and an additional €2.5 billion in funding. Yet the funding source, and how it will be used, are still unclear. And one Just Energy Transition Partnership, as good as it is, is not a solution for the many more countries that need support in their just transition to green energy.</p>
<p><b><u>\$100B IN SPECIAL DRAWING RIGHTS</u></b></p> <p>In 2021, the IMF issued \$650B in Special Drawing Rights (SDRs), a special currency, to support the global economic recovery from the COVID-19 pandemic. But while the <u>G20 countries</u> received 68% of the total, the poorest 44 countries received just 7% of the total. This is why the G20 agreed in 2021 to rechannel <u>\$100 billion</u> to the poorest countries, but has not met this target.</p> <p>We need wealthy countries to commit to rechannel the full \$100B this year, including a detailed breakdown of all pledges. They also need to start working on more rechanneling options, on top of the existing ones at the IMF. One route is to use MDBs to maximize the impact of SDRs for poorer countries.</p>	<p>The International Monetary (IMF) Fund Managing Director Kristalina Georgieva and the outcome documents announced that the \$100 billion SDR target has been met. However, this included a \$21 billion US contribution that has not yet been approved by the US Congress and is unlikely to be so this year, and also other promises that haven't been delivered yet. It is therefore misleading to say that the \$100B target has been met. It only will be once all SDRs have indeed been reallocated.</p> <p>The IMF announced it will increase the Resilience and Sustainability Trust's absorptive capacity from \$40 billion to \$60 billion, a \$20 billion increase in reallocation capacity. However, the \$100 billion disbursement to countries in need would still require new mechanisms, like MDBs, to ensure distribution.</p> <p>On timeline, they call for the operationalization of all pledges at the earliest opportunity, instead of giving an exact deadline, for instance end of 2023, as we have been calling for.</p> <p>There were new commitments from France (40%), Belgium (15%), and Switzerland (6.7%). France joins Japan in demonstrating strong leadership and sets an important example for other wealthy nations to follow suit.</p> <p>G20 partners failed to agree to create an SDR reallocation tracker to transparently monitor progress on reallocations, however this was listed as a proposal.</p>
<p><b><u>INCREASE ODA</u></b></p> <p>The latest figures released from the OECD for aid in 2022 show that the world's poorest countries continue to be overlooked and deprioritized. They received less aid in 2022 than they did the previous year. Nearly \$30 billion marked for the welfare of developing countries was not deployed, but instead stayed within the borders of the world's wealthiest nations (so called in-donor refugee costs).</p> <p>Development assistance is one of the essential tools governments must urgently deploy to help people in low-income countries overcome the coinciding crises of food insecurity, climate change and rising fuel prices, or we risk watching them spiral further into extreme poverty and oppression. Governments must increase and accelerate their contributions to international development assistance, reaffirm their 0.7% ODA/GNI target and commit to achieving this in addition to in-donor refugee.</p>	<p>Not only did countries not agree to accelerate their ODA commitments, but disappointingly, ODA was not mentioned in any outcome documents.</p>

FREE UP FUNDING		ANALYSIS
<p><b>MDB REFORM</b></p>	<p>All MDBs must commit to ambitious reforms on the basis of the G20 CAF experts' report and improve working together. To accelerate reforms, they should agree to set a joint financial target of how many hundreds of billions they will be able to free over the next years. The World Bank already announced an additional 50B\$ over 10 years but more is possible, from both the World Bank and other MDBs.</p> <p>In return, major shareholders such as the US, UK, and Germany should agree to recapitalize the MDBs, especially those showing most ambition.</p>	<p>The Summit did not agree on major MDB reforms, but supported a push for increased CAF implementation.</p> <p>However, one of three outcome documents, <a href="#">the Paris Agenda for People and Planet</a>, did raise the expectation that MDBs should increase their lending capacity to an additional \$200 billion in MDBs over the next 10 years. This can be done by optimizing their balance sheets and taking more risks. In return for these reforms, shareholders could re-inject new capital into the MDBs. An additional \$20B a year is less than what we were asking for and what is needed, but it would be a great first step. Not all countries have signed up to the agenda though. We hope that they will do soon.</p> <p>The World Bank launched new initiatives which aimed to free up funds, such as giving countries new flexibility to quickly redirect a portion of their funds for emergency response, helping governments build advance-emergency systems, and providing new types of insurance to backstop development projects.</p>
<p><b><u>SUSPENSION DEBT CLAUSES</u></b></p>	<p>When disaster strikes, countries have to keep repaying their existing debt while also accumulating even more by borrowing the money they need to respond to the disaster.</p> <p>Debt pause clauses (or debt suspension clauses) offer a way to temporarily halt debt repayments, enabling the borrower to stop repaying debt temporarily when a natural disaster (such as a violent storm or severe flooding), or a pandemic occurs. While debt pause clauses wouldn't apply to existing debt so they won't solve existing debt crises, they would be able to free up money to help countries respond to and withstand these major events.</p> <p>We need all multilateral development banks and all bilateral and private creditors to commit to including no-cost natural disasters and pandemic clauses in all forms of loan agreements, before the end of the year.</p>	<p>In a good show of faith, a coalition of creditors agreed to include pause clauses and a review of progress by COP28. As of now, this does not include a commitment for pandemics, but merely an exploration, with no timeline given for adoption. France stated that they would introduce the pause clauses as of now; others should do the same. Other welcome commitments to introduce clauses were made by the World Bank, the UK and the US. Missing are other MDBs such as the European Investment Bank but also important bilateral creditors, such as Germany.</p> <p>Zambia reached a restructuring deal for \$6.3 billion in debt, opening the door for a \$188 million tranche of money from the IMF. However the deal only covers so-called sovereign debt, debt that is detained by official creditors (other governments for instance). It does not include private creditors. These should now follow suit and also agree to restructure Zambia's debt. Of course, we now need to see other deals for countries in debt distress, after the successful Zambian one.</p> <p>Colombia, Kenya, France and Germany proposed a global expert review on climate-nature-debt solutions, that should be set up by COP28 and report no later than COP29. Côte d'Ivoire and France have agreed debt reduction for €1.14 billion of Ivorian bilateral debt, which will be converted into grants to finance various development projects.</p>

## TRANSITION TO A LOW-CARBON FUTURE

## ANALYSIS

### INTERNATIONAL SOLIDARITY TAXES

While all the above measures are important, they won't suffice to leverage the financing we need to fight extreme poverty and climate change, especially in the poorest and highly indebted countries. This will require more grant resources and also more stable funding mechanisms (other than for instance official development assistance which is subject to budget negotiations every year). Also, those sectors benefiting most from crisis' situations like a pandemic or those polluting most, must contribute their fair share. This is where international levies come in. Different proposals are on the table that could easily mobilize 100b\$ per year.

One option is a levy on the GHG emissions of the shipping sector, currently negotiated at the international maritime organization (IMO). We need leaders in Paris to join forces in a coalition calling for such a levy and ensuring that proceeds are not only used to help the shipping sector to transition to green energy but also to ensure vulnerable and poor countries get support in the fight against climate change, in particular in terms of adaptation and loss and damage. This would send a decisive signal to the IMO negotiations.

Other tax options may need more work. So that they don't drop off the table, a group of champion countries should agree to work together and present more options for international levies by next year, including a tax on fossil fuels and one on financial transactions.

A coalition of countries supported a tax on the green gas emissions of the shipping sector which is a good sign. Revenues mention the shipping industry. However, in the context of the Loss and Damage transitional committee work, taxation revenues are identified as a source of funding for Loss and Damage and adaptation.

The launch of a taskforce to examine possible new financial resources through taxation was proposed, to present first conclusions by the Africa Climate Summit organized by Kenya in September 2023.