

April, 2025

BRIEFING PAPER

Financing for Development

ACT Alliance Financing for Development Working Group

Key Asks

1. **Support the UN negotiations on a timely and binding UN Framework Convention on Tax Cooperation** that tackles illicit financial flows, tax evasion and avoidance by multinational corporations and high net worth individuals, to enable developing countries to mobilise resources sustainably and retrieve funding to address urgent global challenges.
2. **Uphold the international system for international development cooperation and development effectiveness**, including the quality and amount of financing, defending aid from shifting priorities resulting in budget cuts and suspensions that are based on short-sighted and nationalistic agendas. There is an urgent need to develop new forms of international cooperation to meet global and common challenges.
3. **Commit to negotiations on a UN Framework Convention on Sovereign Debt**, including a multilateral sovereign debt resolution mechanism, binding principles of responsible sovereign lending and borrowing, automatic debt service cancellation during extreme climatic, environmental, economic, health, food and security shocks, and a global debt registry to promote transparency.
4. **Address the structural and systemic intersecting inequalities, including gender inequalities**, which sustains poverty in all forms. Increase investment and track progress to ensure existing targets for gender equality funding, such as the UN's 15% minimum percentage of programming with gender equality as the primary objective, are reached.
5. **Uphold global multilateral climate commitments**, in particular the urgency to deepen emission reduction efforts in the new Nationally Determined Contributions to keep global temperature rise below 1.5 degrees, advance a fair and just transition that sustains sustainable economic and social development, support adaptation and loss and damage efforts in vulnerable nations and unlock additional finance for climate action through additional commitments and reforms of the financial architecture.

Introduction

ACT Alliance is a coalition of more than 152 faith-based organisations working together in over 120 countries to create positive and sustainable change for people living in poverty and marginalisation, regardless of their religion, politics, gender, race or nationality in keeping with the highest international codes and standards. ACT Alliance is faith-motivated, rights-based, impact focused, committed to working ecumenically and inter-religiously, with the communities we seek to serve and accompany at the centre of our work. We promote a locally led and coordinated approach to advocacy, humanitarian and sustainable development, including economic, climate, gender, peace, and migration justice.

We are living through a period of profound human suffering, instability and conflict. Six of the nine planetary boundaries have been surpassed, and progress towards achieving the Sustainable Development Goals (SDGs) is alarmingly slow, uneven, and in some contexts regressing, even below the 2015 baseline. Progress towards achieving the SDGs by 2030 falls far short of what is required, and is hindered by unjust financial architectures, policies, and actions for financing sustainable development.

A Just, Equitable and Transformative Global Financing Framework

We call for transformation of the global financial architecture, and for sustainable, equitable and rights-based development. The current global economic system is delivering extreme wealth for the few and poverty for the many. These inequalities are rooted in a system

of oppression and exploitation of much of humanity and the natural world. Each year, governments are losing billions of USD dollars to tax evasion and avoidance – resources that if recovered could significantly contribute to climate financing and the achievement of the Sustainable Development Goals. Fair taxation is a cornerstone of democratic institutions. ACT Alliance affirms the vital role of public financing, progressive taxation, a fair and rules-based international order, and democratic ownership in achieving the SDGs for all.

We advocate for a just global financial architecture that addresses structural and intersecting inequalities, resolves and prevents debt crises, and combats illicit financial flows that undermine domestic resource mobilisation. Many governments, who have made long-term commitments to Official Development Assistance (ODA) are now making substantial cuts, which undermine the commitments made in many processes, including Financing for Development. It is critical that the Fourth International Conference on Financing for Development (FfD4) outcome addresses the structural impediments to countries raising and securing the resources needed to fulfil human rights and achieve the SDGs. Governments must work together to promote better and fairer international processes that deliver on the necessary commitments to ODA and climate finance obligations.

The reforms of the international financial architecture must strengthen the role and mandate of the United Nations, upholding its jurisdictional power, universal participation and democratic and inclusive decision-making process. Subsequently, existing governance mechanisms and mandates in international

organisations must be changed. Business as usual in terms of mandates cannot be prescribed from the outset. We must use this opportunity to reform the financial architecture to tackle the challenges that we face today.ⁱ

Private sector engagement should complement, not replace, public funding, in accordance with human rights law and other international standards and development goals, including due diligence and accountability standards. We urge UN Member States to strengthen democratic multilateralism in financing for development ensuring that civil society, including faith-based actors, and communities who are most affected by economic injustices have a decisive voice in shaping policies that promote people-centred and ecologically just development.

Domestic Resource Mobilisation

FfD4 must confirm and support the UN negotiations on a timely and binding UN Framework Convention on Tax Cooperation that will help combat illicit financial flows and tax evasion and avoidance by multinational corporations, enable effective taxation of high-net-worth individuals and enable developing countries to mobilise resources sustainably.ⁱⁱ

Taxation is central to creating fairer societies within and between countries, and is needed to mobilise resources to finance education, health services, social security, and other public services to realise human rights for all and promote economic development. When tax systems are just and transparent, they enhance public trust in governance, reduce economic inequalities, and strengthen democratic accountability by enabling citizens to demand better services and policies. Progressive taxes are key instruments to redistribute resources

and tackle intersecting inequalities. However, international tax evasion, tax avoidance and abuse are undermining efforts to collect essential public revenues. In 2024, it was estimated that governments lose around US \$492 billion annually due to international tax abuse, either by multinational corporations or from offshore tax evasion by wealthy individuals.ⁱⁱⁱ While all governments lose money, developing countries, especially in Africa, are disproportionately hit harder. Many countries lose more from international tax abuse than they receive in ODA. Important progress on tax cooperation has been made, for example, in August 2024 an overwhelming majority of Member States voted in favour of the negotiating mandate for a UN Framework Convention on Tax Cooperation.^{iv}

Important commitments on making national tax systems more progressive and efficient must be affirmed in the adopted text. We emphasise that fiscal systems and government spending must be gender-responsive, climate consistent and promote climate resilience and environmental sustainability, and contribute to the realisation of human rights. ACT Alliance encourages the FfD4 to recognise the importance of the Terms of Reference for a UN Framework Convention on International Tax Cooperation, and that Member States commit to engaging constructively and in good faith in the negotiations on the Convention.^v

Private Business

Private investments have the potential to be major drivers of development, however, private capital will not fill the gaps in development finance or fulfil tasks that only the public sector can and should accomplish.^{vi} We advocate that private investment should respect human rights and contributes to

sustainable development, including investment in locally led Micro, Small and Medium sized Enterprises (MSMEs).

Current practices have failed to catalyse private capital at scale and ensure that private investment can meet sustainable development needs.^{vii} Least Developed Countries (LDCs) are being most impacted, where high financing costs and risk perceptions hinder investment. These barriers must be addressed to ensure the most vulnerable are not left behind, and to fulfil the 2030 Agenda's core principle. The use of public and private finance must be rights-based, ensuring private capital aligns with long-term development priorities. Public finance should remain the foundation for essential services to realise human rights, including health and education. Support for sustainable growth-oriented MSMEs in developing countries, particularly locally led enterprises, must be expanded. Strengthening local businesses, rather than relying on multinational investments, is key to inclusive and sustainable growth. Fair business and financial arrangements between local enterprises and multinationals, public and private sectors are required with clear benefit and burden sharing approaches applied.

Responsive financial innovation is required to strengthen the MSME financing ecosystems—through local currency financing, impact investments, and tailored financial instruments. In addition, public procurements must be strategically directed to support local industries and MSME's shifting from lowest cost to long-term value creation. Blended finance initiatives must be rights-based and focus on sustainable development impact, rather than on quantity or degree of leverage alone, and call for priorities given to local enterprises and MSMEs.^{viii}

International Development Cooperation

The international community must uphold international development cooperation that saves lives and livelihoods. Ongoing budget cuts and suspensions are short-sighted and jeopardise long-term sustainable development. Yet, we must also recognise that there is an urgent need to develop new forms of international cooperation, which invest in localisation, and are rooted in principles of equality, justice and human dignity.

The needs and the rights of the most marginalised communities must be at the heart of international development cooperation and partnerships. Official Development Assistance (ODA) should be preserved as a critical resource for poverty eradication and climate justice, aligned with UN Member States' commitments to human rights and environmental sustainability. Longstanding commitments on ODA volumes must continue to be affirmed, alongside a call to revitalise and implement the development effectiveness agenda.^{ix}

We express profound concern at the growing number of countries who are severely cutting ODA budgets. Critical aid initiatives and development programming are being reduced, including many providing essential healthcare, food security, and support for marginalised communities worldwide. Development work to advance gender equality, including Sexual and Reproductive Health and Rights, continues to be chronically underfunded. ODA to support women's rights organisations, movements, and government institutions decreased to an average of USD 631 million per year in 2021-2022. When excluding the funds allocated to government institutions like women's ministries, the total was just USD \$453 million

in 2021-2022, accounting for less than 1% of total ODA.^x

Financial commitments by all Member States and stakeholders needs to be upheld. To mitigate the adverse impacts of these policy shifts, collaborative action is required to ensure that the most vulnerable populations continue to receive the support that they urgently need. Faith-based leaders and organisations around the world remain active partners for the delivery of humanitarian response and sustainable development programming.

The multiplicity of global challenges such as pandemics and the climate crisis demand a new global approach to decisively tackling poverty and advance sustainable development. A long-term trend is that ODA, that continues to dwindle, is increasingly diverted to meet competing international challenges. This approach goes against the hard-won principle of additionality that commits ODA contributors to provide new and additional finance to address the climate crisis, rather than detracting from other areas of development aid. The commitment to deliver climate finance that is new and additional to ODA is not being met. Incoming financial resources, such as aid or climate finance, are often offset or exceeded by outflows to creditors or due to international tax abuses. This is a systemic failure in global economic governance, which undermines development effectiveness.

At the heart of deliberations on FfD4, we must seek ways for ODA to be increased; to raise additional resources through mobilisation of public and private finance to tackle increased global challenges; and to address climate and development objectives across all streams of public and private flows and investments - in specific and cross-cutting interventions

(projects). There is an urgent need to increase international cooperation and mobilise more public investment to meet common challenges, but ODA cannot and should not be the means through which it is carried out. The bottom line should be that cooperation should benefit all countries sharing the same planet, that all countries contribute according to ability and that all countries participate in decision-making on an equal footing, while including local communities, civil society representatives and other stakeholders.

Trade

Commit to reform trade and investment agreements which undermine the ability for countries to implement policies for sustainable development, including human rights and environmental protection. There must always be policy space for countries to implement policies in order to respect, protect and fulfil human rights.

FfD4 must ensure there is sufficient policy space to invest in sustainable development that puts human rights and environmental protection above economic and other considerations when negotiating and concluding trade and investment^{xi} FfD4 must include clear commitments to reform the mechanisms for investor-state dispute settlements in trade and investment agreements, as well as commitments to accelerate the replacement and termination of obsolete investment agreements.^{xii xiii}

Debt

We call for FfD4 to commit to negotiations on a UN Framework Convention on Sovereign Debt, including a multilateral sovereign debt resolution mechanism, binding principles of responsible sovereign lending and borrowing,

automatic debt service cancellation during extreme climatic, environmental, economic, health, food and security shocks, and a global debt registry to promote transparency.

Debt is an increasingly critical barrier to sustainable development progress, particularly for low- and middle-income countries burdened by unsustainable repayment obligations that divert resources from essential public services. In the poorest and most vulnerable countries, interest payments on external debt have quadrupled since 2013, hitting an all-time high of US\$34.6 billion in 2023.^{xiv}

Many debts are owed to private creditors who have made risky, high-interest loans to poor countries. As there is no fair and predictable global system for restructuring debt, today these creditors do not have to share the cost when things go wrong. Rather, countries facing debt distress continue to service their debts in order not to be cut off indefinitely from global capital markets, resulting in a devastating diversion of resources away from areas such as health and education. As Pope Francis recently noted: “Foreign debt has become a means of control whereby certain governments and private financial institutions of the richer countries unscrupulously and indiscriminately exploit the human and natural resources of poorer countries, simply to satisfy the demands of their own markets.”^{xv} Addressing debt justice is not only an economic necessity but also a moral imperative in building a more equitable and resilient global financial system. As World Bank Chief Economist Indermit Gill puts it: ‘A twenty-first century global system is needed to ensure fair play in lending to all developing economies.’^{xvi}

The debt crisis and the climate crisis are closely related and reinforce each other in a vicious circle: extreme weather events affect countries’ need to borrow money and ability to repay loans, the debt crisis forces countries to reduce public spending, including on climate action, many countries are turning to intensified extraction of natural resources – including fossil fuels – to service their debts. To make things worse, 70 percent of the climate finance provided by rich countries to date has been provided in the form of loans, further adding to unsustainable debt burdens.

Rooted in the theology and spirit of Jubilee 2025, the faith community join hands with an increasing number of civil society organisations in the campaign “Turn Debt into Hope” which champions debt justice, fairness and solidarity. In this campaign we call for cancelling and remedying unjust and unsustainable debts, prevention of debt crises from happening again by addressing their root causes, reforming the global financial system to prioritise people and the planet, and the establishment of a permanent, transparent, binding and comprehensive debt framework within the United Nations.^{xvii}

FfD4 is an opportunity to include several positive provisions, which may constitute elements of the UN Framework Convention on Sovereign Debt.^{xviii} This includes: A working group to develop a set of principles on responsible sovereign lending and borrowing, a call on all creditors to ensure automatic debt service cancellation during times of crisis, the creation of a single global debt registry to promote transparency, and the creation of an intergovernmental process at the UN to close gaps in the debt architecture and explore options including a multilateral sovereign debt mechanism.^{xix} We call for these elements to be

integrated into the framework of a UN convention.

International Architecture

The current order and governance ecosystem was designed in the immediate aftermath of WWII and therefore reflects the colonial structure and balances of power of that moment. FfD4 is an opportunity to improve the governance of financial flows and processes, particularly ensuring more equitable participation and representation of developing countries.^{xx}

Over the last decades, the main economic and financial powers have moved multilateral economic and financial governance even further away from participatory and inclusionary processes. We call for action to uphold and strengthen the role of the UN in dealing with reform of the international financial architecture to ensure the voices of every nation and all peoples are heard. FfD4 should therefore initiate a profound review of the International Financial Institutions (IFIs)/ Multilateral Development Banks (MDBs) ecosystem, reaffirming the role of the United Nations in global economic governance, in full respect of the spirit of Monterrey.

We call for decisive action to go beyond current commitments. FfD4 must initiate a review under the aegis of the UN of the mandates and governance structures of the IFIs, including the World Bank, the IMF and MDBs. Governance structures must contribute to a democratisation of the governance of IFIs, including by adjusting the size of their boards, adequately redistributing voting rights, avoiding de facto veto powers, strengthening basic votes premised on the principle of equality of Member States, among others. We

advocate for a re-purpose of IFIs to support sustainable development progress, to promote the realisation of the Right to Development and to operate in full respect with human rights standards and obligations.

Enhanced transparency and adequate public scrutiny of the decisions, policies and programmes of IFIs contribute to accountability. In addition, there is a need to utilise existing or establish independent accountability mechanisms of IFIs that can address and redress complaints by communities and social groups affected by IFI programmes. We welcome the proposal to reform the Special Drawing Rights (SDRs) system to enable more equitable allocations in future, which will allow a more needs-based approach, and that developed countries should channel at least 50% of their SDRs to poorer countries and promote a fairer and more equitable distribution of resources for future SDR allocations.^{xxi} We call for strong commitments that IMF surcharges should be eliminated.^{xxii}

Social Protection, Gender and Climate Justice

Achieving peaceful and inclusive societies and creating an enabling environment for sustainable, healthy, and transformative development, requires decisive action that affirms human-rights, and seeks gender, climate and economic justice. A transformative global financing framework must reflect equity and justice, and foster the collaboration and cooperation that promotes inclusion, social protection and accessibility, which confronts discrimination and multiple and intersecting forms of inequality.

We welcome the importance given to the need for increased investments in **social protection**. Yet, we advocate for stronger language on public services and social protection for all, in accordance with human rights law and other international standards.^{xxiii} Spending on public services and social protection for all must be gender just, including gender transformative social protection, and included in the debt sustainability assessments.^{xxiv}

To further advance **gender justice**, tax and fiscal policies and development financing must institutionalise gender equality, including through gender-transformative budgeting and taxation, and investments in key sectors, in particular health. Finances to ensure existing targets for gender equality funding are met, for example, the UN's 15% minimum percentage of programming with gender equality as the primary objective must be scaled up, and the commitment to raise USD 300M for women's organizations in conflict and crisis settings must be met. It is critical to improve the quality of the current systems for tracking gender equality ODA to address inconsistencies across entities, quality control, and timeliness.

To advance **climate justice**, we call for action to uphold the principle of equity and the Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC). Stronger commitments to limit global temperature rise are urgently required to safeguard lives, ecosystems, and livelihoods. Climate action-- that is mitigation, adaptation, loss and damage and just transitions – must be pursued in the context of poverty eradication and sustainable development, delivering on both climate and development objectives. Finance must be scaled up through additional

commitments and efforts to unlock innovative sources of finance. Reforms in fiscal policies are needed to put an end to harmful subsidies and align financial flows with climate goals.

Additional reforms of the global financial architecture must consider delivery of climate objectives to design a system that responds to climate needs. Pursuing innovative sources of finance such as taxes and levies must promote equity and place no undue burden on vulnerable and poorer countries. Commitment to further develop and promote the use of Climate Resilience Debt Clauses should be made to support indebted vulnerable countries in times of catastrophic climate events. Further commitment is required to promote additional approaches such as debt-for-climate and nature swaps, to offer debt relief.

Endnotes

ⁱ Ref in Outcome document of the Fourth International Conference on Financing for Development, First Draft, Para 6

ⁱⁱ Affirmed in the World Council of Churches, World Communion of Reformed Churches, Lutheran World Federation, World Methodist Council, and Council for World Mission [Letter to the 2024 G20 Leaders' Summit; The ACT Alliance Together for Justice: Our Collective Action on Tax Justice Public statement](#), and in the [Zacchaeus Tax Campaign](#).

ⁱⁱⁱ [The State of Tax Justice 2024](#), 19th November 2024, Tax Justice Network

^{iv} Chair's Proposal for Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, 15 August 2024. ODA commitments affirmed in the *Outcome document of the Fourth International Conference on Financing for Development*, Zero Draft, Para 38, and the call to revitalise and implement the development effectiveness agenda in Para 32.

^v Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 23

^{vi} World Bank chief economist Indermit Gill in the Forward to World Bank International Debt Report 2024

^{vii} This was correctly highlighted in the Zero Draft as 'Official sector efforts to mobilize private finance have not succeeded in catalyzing private capital at scale nor have they sufficiently focused on sustainable development impact', Para 35

^{viii} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 28

^{ix} ODA commitments affirmed in the *Outcome document of the Fourth International Conference on Financing for Development*, Zero Draft, Para 38, and the call to revitalise and implement the development effectiveness agenda in Para 32.

^x [Development Finance for Gender Equality 2024](#), OECD

^{xi} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 36(i)

^{xii} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 36

^{xiii} World Bank (2024) International Debt Report.

^{xiv} World Bank (2024) International Debt Report.

^{xv} [Pope's World Day of Peace message: 'We are all in debt to God' – Vatican News](#)

^{xvi} Forward to World Bank, [International Debt Report 2024](#)

^{xvii} [Turn Debt into Hope](#)

^{xviii} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 40

^{xix} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 43(e)

^{xx} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 12

^{xxi} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 31(j)

^{xxii} Strong language needed in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 47(c)

^{xxiii} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, First Draft, Para 22(j)

^{xxiv} Ref in *Outcome document of the Fourth International Conference on Financing for Development*, Zero Draft, Para 51(a)