CONCEPT NOTE

Task Force 3: Financing for Sustainable Development

South Africa is poised to build on how Brazil's 2024 G20 presidency tackled pressing challenges towards achieving the Sustainable Development Goals (SDGs) and climate targets. Financing for development is a central issue for the G20 given its significant role in addressing global challenges like poverty, inequality, and climate change. Reform of the international financial architecture and the multilateral development banks, addressing sovereign debt in a sustainable manner, and ensuring a fair and equitable taxation system are all important elements of financing for development.

This task force will emphasise the following areas:

1. Reforming and Strengthening the IMF and the MDBs

Under successive developing country G20 presidencies, the aim has been to make financial institutions such as the International Monetary Fund (IMF) and Multilateral Development Banks (MDBs) more inclusive, effective, and responsive to the needs of developing countries. Their reform is expected to deliver affordable and predictable flows of finance for development that is sustainable, socially inclusive and environmentally responsible.

MDBs are central actors in helping to finance the transition to development and sustainability. Enhancing partnerships between development banks and private investors is critical for scaling impact. As the SDGs financing gap keeps widening, there should be some focus on the private sector's role in addressing this. Private capital will be essential, as public resources alone cannot close the $4 trillion annual shortfall, the financing gap for achieving the SDGs in developing countries. During the Brazilian presidency, MDBs were urged to expand concessional financing for low-income nations and to adopt blended finance models to leverage private sector investments. This presidency secured undertakings by MDBs to frameworks for reporting.

- What are the implications and challenges of IMF undertakings to reform its governance and operations, including its weighted voting system, its charges and surcharges, special drawing rights, and its Poverty Reduction and Growth Trust and Resilience and Sustainability Trust, so that it is more responsive to the needs of low- and middle-income member states?
- What can the G20 do to promote and monitor the implementation of the G20 MDB Roadmap for bigger, better and more effective MDBs?
- What is needed to strengthen the global financial safety net and making it more responsive to the needs of low- and middle-income countries?

2. Debt and Development

The diversion of finance from development to debt servicing has a crippling effect on the industrialisation and economic growth efforts of low- and middle-income countries.

Recognising that a heavy external debt robs countries of resources needed to achieve the SDGs, the G20 adopted the Common Framework on Debt Treatments in 2020. The Common Framework remains regarded as a potentially effective mechanism for dealing with debt vulnerabilities in low and middle-income countries. However, the Common Framework has many shortcomings including the slowness of its implementation.

The G20 Note on the Lessons Learned from the First Cases Under the Common Framework yields some lessons that necessitate further reflection. While there is agreement on the need to improve debt transparency including among private creditors, the extent to which this is happening needs analysis. Ways in which it could improve could be proposed in policy briefs. There is a need to critically reflect also on the Global Sovereign Debt Roundtable and its outcomes. The Africa-led discussions on debt, development and infrastructure are shaping up into a new key sub-theme that needs analysis and recommendations.

- What actions can be taken, based on the experience of the first case studies of the Common Framework, that can improve its implementation and the outcomes, and by whom?
- How can the G20 promote a holistic approach to future sovereign debt crises?
- What factors shape the relationship between debt, development and infrastructure in low- and middle-income countries and what needs to be done? How can the G20 address high financing costs for developing economies?
- What further action can be agreed during the SA G20 presidency to address the debt crisis in low- and middle-income countries?

3. Reinforcing International Taxation Cooperation

The international taxation rules system partly determines the effectiveness with which governments around the world can collect taxes. Furthermore, fair international tax rules contribute to securing financial resources necessary for investing in infrastructure, poverty alleviation and enhanced social services.

While taxation is a national matter, governments still need international cooperation for cross-border financial flows. International taxation rules are essential to enable effective and fair tax collection. The UN has played a crucial role in tax treaty negotiations, recognising the importance of tax revenues for development. Under the Brazilian G20 presidency, the taxation of high-net-worth individuals was spotlighted as an important source of financing the 2030 Agenda for Sustainable Development.

The Ministerial Declaration in Brazil advocated for progressive taxation as a key tool for reducing domestic inequalities, strengthening fiscal sustainability, fostering budget consolidation, promoting strong, sustainable, balanced, and inclusive growth.

While the G20 in 2024 reinforced its commitment to implement the Two Pillar Solution there are still many challenges, especially for developing economies.

- What mechanisms can be used to build consensus between the UN Framework Convention on International Tax Cooperation and other processes, such as those of the OECD?

  What are the barriers to more effective use of solidarity taxes to promote development finance?
- How can the G20 help countries reduce and eliminate illicit financial flows?
- What role can the G20 play in helping countries develop administrative and institutional capacity to improve domestic resource mobilisation and compliance of international taxation frameworks?