COP 28

Implementation of the Paris Pact for People and the Planet

A REVIEW AFTER 5 MONTHS OF ACTION

The Summit for a New Global Financial Pact, 23 June 2023

President Macron's trip to Dubai for COP28 will offer an opportunity to highlight the first tangible successes of the "4P", or Paris Pact for Peoples and the Planet, following on from the Paris Peace Forum; to officially launch the Taskforce on international taxation; and to encourage all of the Taskforce partners to continue to roll out this ambitious roadmap for more financing and more balanced global governance – so that no country needs to choose between the fight against poverty and protecting the planet.

Forged at the **Paris Summit for a New Global Financing Pact** in June, the Paris Pact for People and the Planet (4P) established **four main principles** for a more effective international solidarity policy to better support the most vulnerable countries in addressing crises and climate transition challenges, within the framework of **more balanced international governance**:

→ no country should have to choose between fighting poverty and saving the planet;

→ each country should adopt its own transition strategy, taking into account its needs and requirements to achieve the Paris Agreement objectives;

→ a significant increase in public financing is necessary to help vulnerable economies to lift their populations out of poverty, while protecting the planet;

→ much greater leverage is needed to increase private financing in global challenges.

The Paris Pact continues to garner support from countries of varying profiles (developed economies, major emerging countries, developing countries and countries highly exposed to climate risks), and today **42 States have formally endorsed it** and are promoting the reforms identified in Paris. Its practical implementation has commenced, and the objective to come together around common political priorities has been shared at **major international events in recent months**: the Africa Climate Summit in Nairobi (4-6 September); the G20 summit in New Delhi (9-10 September); the Annual Meetings of the World Bank and the IMF in Marrakech (9-13 October); the Compact with Africa summit organized by Germany on 20 November, **at which Germany confirmed its support for the 4P**.

"The 4P offers an historic opportunity for the international community to work together in a consensual approach to meet the challenges of development, with equity and inclusion, including through the reform of the international financial architecture, while protecting our planet".

MACKY SALL, PRESIDENT OF SENEGAL, SPECIAL ENVOY 4P

Governance established at the OECD with the support of 42 countries

In June, civil society expressed its strong desire to see implementation of the very ambitious roadmap that was drawn up there. To that effect, as presented at the Paris Peace Forum on 10 November 2023, **an implementation committee was formed to report on and accelerate the operationalization of the various commitments included in the "4P"**. This committee has met twice at the technical level, on 1 September and 17 October 2023, and in ministerial format on 10 November 2023, on the sidelines of the Paris Peace Forum. It rallies international support for the 4P and monitors the progress of the different coalitions.

The 6th annual Paris Peace Forum, 10 November 2023

This committee is made up of representatives from States, international organizations and experts contributing actively to the implementation of the Paris Pact. **The committee aims to meet on the sidelines of every major international event** at which the 4P topics are discussed, and at regular intervals at ministerial level or even at the level of Heads of State and Government. During the 6th Paris Peace Forum, the Ministers responsible for Finance, Foreign Affairs and Development present met in this committee format, to establish a joint roadmap ahead of COP28 and looking beyond it.

The Secretariat of the committee is now hosted at the OECD in Paris. Its role will be to prepare the work of the committee, including the preparation of meetings, the monitoring of coalitions, analytical work in the OECD's field of expertise, and the drafting of bi-annual rapports.

To support these efforts, **President Macky Sall agreed to take on the role of Special Envoy for the 4P starting in January 2024**. His personal commitment will have a decisive impact on the involvement of all willing actors and signatories of the 4P.

The 6th annual Paris Peace Forum, 10 November 2023

“The OECD is proud to host the 4P Secretariat, to help translate the commitments made at the New Global Financing Pact Summit in June into the stronger and better quality global financial architecture needed to address cross-border challenges, such as tackling climate change,”

OECD SECRETARY GENERAL MATHIAS CORMANN SAID.

The main concrete progress promoted by the 4P for an increase in financing

FULFIL THE PROMISES MADE ON CLIMATE FINANCE

As announced at the summit opening in Paris on 22 June, developed countries are on the right track to respecting their climate commitments. The latest report by the OECD on the $100 billion goal estimates that $89.6 billion in climate finance was provided and raised by developed countries in 2021, compared to $83.3 billion in 2020. **The OECD considers, based on preliminary data, that the target of $100 billion was probably reached in 2022**. In that data, France is a major contributor with a commitment of €6 billion per year until 2025. In 2022, France provided €7.6 billion and the European Union €28.5 billion.

CONTINUE THE MOMENTUM TO ALLOCATE SPECIAL DRAWING RIGHTS TO THE MOST VULNERABLE COUNTRIES

Another focus of work in the 4P to mobilize more financing, set out in Paris at the Summit on the Financing of African Economies on 18 May 2021, the mobilization of special drawing rights (SDRs) for the most vulnerable countries also progressed since June, beyond the target of an engagement of $100 billion. The International Monetary Fund has continued its work, with the publication of a report on the effects of the general allocation of SDRs in August 2021, which confirms the positive impact for the global economy and in particular for the poorest countries. This allocation helped reach and surpass the collective mobilization target of $100 billion in SDRs for vulnerable economies, an initiative promoted by France since 2020. These SDRs provide funds in particular for the new Resilience and Sustainability Trust (RST), created in 2022, which is now fully operational with commitments that could reach $29 billion for the 2022-2025 period.

Eleven countries have already obtained a financing programme of this nature for the sum of $5.7 billion, and more than 40 countries have expressed their interest in accessing this financing, which also feeds into the Poverty Reduction and Growth Trust (PRGT). Financing needs for the PRGT were satisfied at the Annual Meetings of the IMF and the World Bank in October 2023, enabling it to continue to respond to the demand for zero-interest loans from low-income countries. The IMF is preparing another report on **strengthening domestic resource mobilizatio**n. Domestic resources give effect to the desire for ownership by countries of their own transition.

REFORM THE MULTILATERAL DEVELOPMENT BANKS

The three-fold agenda for better, bigger and more effective multilateral development banks is a central aspect of the Pact's six areas of action to support a financing boost, and has made significant progress. The G20 Summit in New Delhi ended with a consensus on highly ambitious financing objectives for international solidarity by these development banks, using the target established in Paris to raise at least an additional $200 billion in the next ten years via the capital optimization agenda. **This target was raised to a further $300-400 billion** by 10 major development banks themselves at the Annual Meetings of the World Bank and the IMF in Marrakesh in October.

In October, the World Bank adopted a new vision of its mission, expanded to include "a world free of poverty – on a liveable planet" and offered its shareholders **new financial innovations to increase the institution's financial capacity beyond the package of reforms announced at the Spring Meetings, which had already enabled an additional $50 billion to be raised over 10 years**. The G20 agreed on the **principle of a general increase of the multilateral banks' capital** as one of the options on the table to respond to needs, aligned with the Multilateral Development Banks Vision Statement adopted by 52 States at the June summit.

The Paris Pact for People and the Planet highlights the importance of an ambitious replenishment of the resources of the International Development Association, the World Bank's soft loans agency and main multilateral provider of concessional financing for the least developed countries. France and its partners will defend this vision during negotiations for its **21st replenishment (IDA-21)**, while supporting reflections on **greater consideration for vulnerability**, another of the Pact's commitments.

Responding to the request made in June for financial actors to coordinate better, work aiming to develop coordinated operations of development finance institutions continued at the Finance in Common Summit of development banks, which took place in Cartagena (4-6 September 2023). This network brings together several hundred actors, amounting to $23 trillion in assets and up to $2,500 billion in annual investments, equivalent to approximately 10% of total global investment. The public development banks created a roadmap to facilitate and enhance their cooperation (Financial Innovation Lab, development of a service offering, with a capacity-building programme in particular). A number of proposals were shared (in particular contingent clauses, debt swaps, new metrics, green infrastructures, etc.). The 2024 Finance in Common Summit will take place in Asia, under the aegis of the Asian Infrastructure Investment Bank, thereby attesting to the momentum created. In the same vein, the COP discussions on the various financial arrangements, first and foremost the Green Climate Fund and the new Loss and Damage Fund, will be in line with an international finance architecture that works as a system.

CREATE LEVERAGE AND WORK TO REDUCE RISKS TO BETTER MOBILIZE THE PRIVATE SECTOR

The 4P is making the mobilization of private financing one of the key objectives in the coming months, based around the **target of attracting at least one euro in private funding for every euro of public funding spent on development, climate and nature**. At the same time as the reform of major development banks, which should enable more effective collaboration with private actors, work is underway in several areas: identifying the key factors of success for mobilizing private financing (OECD), and reducing the cost of capital in emerging and developing economies by more effectively covering foreign exchange risks.

It is also in this spirit that the transparency agenda on climate commitments for private actors was set up, in order to better measure and encourage private flows to fund the ecological transition. After the work on financial reporting on climate change, as well as on nature (TCFD, TFND), at COP28 France and its partners officially launched a platform to make climate commitments accessible to major companies on a comparable basis (Net-Zero Data Public Utility).

The Summit for a New Global Financial Pact, 23 June 2023

During the Summit, many developing countries highlighted their exposure to the overestimation of risks by donors, rating agencies and foreign investors, as well as their financing needs in local currencies. Proposals to that end have since been made at the G20, calling for the creation and strengthening of independent platforms such as TCX (The Currency Exchange Fund), and the establishment of a shared platform among MDBs to share foreign exchange risks for local currency transactions and to increase local-currency financing options. Proposals are also underway to facilitate funding in local currencies by international financial institutions, improve technical support for local exchange rate management, include debt conversion clauses in certain financial arrangements and facilitate exchange rate risk transfer among institutions. Regarding investor risk perception, work is progressing to increase the accessibility of data in the GEMS (Global Emerging Markets Database) for rating agencies and private investors so that they can improve their knowledge of emerging markets and potential partners.

RESPONDING TO DEBT AMONG THE MOST VULNERABLE COUNTRIES AND BETTER INTEGRATING CLIMATE VULNERABILITY INTO INTERNATIONAL FINANCING

The Paris Pact is working to speed up and deepen measures to suspend and treat debt wherever necessary. In June 2023, Zambia's official creditors concluded a historic agreement on debt treatment, the protocol for which was finalized in October. The Zambian example shows that the Common Framework can help Paris Club creditors and other G20 creditors to agree on significant debt relief in a coordinated manner.

The Summit for a New Global Financing Pact also saw the launch of a coalition of partners – France, the United Kingdom, Barbados, Ghana, the United States, Spain and Canada – calling to set out **Climate Resilient Debt Clauses (CRDCs) of States hit by natural disasters in loan agreements** of bilateral, multilateral and private-sector creditors by the end of 2025. The French Treasury is already implementing such clauses and as of January, **the AFD will include these clauses in sovereign loans for 26 countries**. Meanwhile, last June, the World Bank announced the launch of a pilot project to that end for "Small States" and the European Bank for Reconstruction and Development is working on a similar initiative.

The Summit for a New Global Financing Pact also highlighted the need for our financial instruments to take a multidimensional approach to vulnerability, not only economic, but also social and environmental vulnerability, particularly as an eligibility criterion for concessional financing. **In September 2023, the United Nations presented a new Multidimensional Vulnerability Index (MVI)** and an initial report on multilateral development banks, under the auspices of the World Bank, was presented at the Annual Meetings, with the aim of publishing shared guidelines on the use of concessional financing to meet vulnerabilities. The next step will be to see the possible integration of this type of tool in decisions to allocate resources within international financial institutions. For its part, France has begun this work in the context of implementing the conclusions of the Presidential Council for Development meeting of 5 May 2023.

The Summit for a New Global Financial Pact, 23 June 2023

THE COMMITMENT TO FAIR AND BALANCED PARTNERSHIPS WHICH BETTER REWARD SERVICES TO THE PLANET

Promoting national ownership of necessary reforms, **Just Energy Transition Partnerships** are entering their implementation phase and South Africa, Indonesia, Vietnam and Senegal will set out their progress in this area at the COP. Country platforms for forests, nature and the climate will also be announced.

During the "country platforms" event for the protection of forests organized alongside the summit in June, the outlines of a **multilateral financing tool (International Financing Facility for Forests) were discussed, which would reward efforts to protect forests in tropical forest nations**, by mobilizing the private sector. COP28 will be an opportunity to officially launch a working group, with France's support, mandated to examine the viability of the initiative, if applicable, with initial contributions expected at COP29 and operationalization and presentation of the first projects by COP30.

CONTINUING WORK ON INNOVATIVE FINANCING

Finally, at the Summit on 22-23 June, the partners in Paris agreed that new innovative financing sources would be essential to together meet our climate challenges, starting with a response to loss and damage. A taskforce on international taxation will be officially launched at COP28 by President Ruto and President Macron, with the support of an initial coalition of partner countries. This initiative, which will be driven by the European Climate Foundation (ECF) and led by Laurence Tubiana, is the fruit of conversation during the Paris Summit in June and continued within the framework of the Africa Climate Summit in Nairobi in early September. The taskforce will work on the prospects of new taxation, enabling the financing of our planet's major challenges in a spirit of international solidarity. This new proposed agenda is complementary to the agreement of a two-pronged solution to reform international tax rules, which was negotiated under the OECD, and remains a priority.

COP28 will also be an opportunity to demonstrate progress on strengthening **carbon markets** in line with the objectives of the Paris Agreement and the Global Roadmap to Harness **Biodiversity Credits**.

PROMOTING A MORE INCLUSIVE AND BALANCED GLOBAL GOVERNANCE SUPPORTING EMERGING COUNTRIES BASED ON A SHARED CLIMATE AMBITION

From the outset, the Paris Pact highlights the crucial importance of remaining united against the risks of a divided world, requiring us to reform the governance of our financial architecture. The reform process for a more balanced global governance is now well underway. **The African Union has joined the G20 as a permanent member**, an enlargement that President Macron was the first G7 Head of State or Government to support in 2022. **In October, IMF members approved the expansion of its Executive Board to include a third representative from Africa**, which will help strengthen the continent's voice on economic and financial affairs, and **the members pledged to work on the IMF's quota share realignment**, with concrete proposals by June 2025, so that the Fund's governance better reflects the role developing countries now play within the international economy.

France defends a vision in which **emerging countries should be given a greater role in decision-making bodies of international financial institutions**, in return for greater ambitions for the climate and greater commitment to phasing out fossil fuels, first and foremost coal. COP28 is a pivotal event in this regard: with other partners, France is launching the Coal Transition Accelerator initiative, which aims to better support countries seeking to phase out coal by more effectively redirecting private financing towards the expedited closure of coal-fired power plants and increased support for low-carbon alternatives. These efforts will be in addition to France's financial contribution to the goal of tripling renewable energy production capacities agreed by the G20 in New Delhi.

G20 New Delhi summit, 9 September 2023

— Beyond COP28, the 4P will continue to play a key role in mobilizing all partners around a shared agenda based on an increased ambition for people and the planet, an overhaul of global governance, and the roll-out of financing in line with current needs. With the support of the OECD and President Macky Sall, the Special Envoy for this initiative, France will work in a spirit of cooperation to prepare the next phases of the 4P, alongside Brazil (which will chair the G20 next year), Italy (which will chair the G7 next year), Kenya, Barbados, in exchange with China and with all countries involved in this agenda.

ANNEX 1
THE 42 SUPPORTING COUNTRIES OF THE PARIS PACT FOR PEOPLE AND THE PLANET ON 30 NOVEMBER 2023

GERMANY

ARGENTINA

SOUTH AFRICA

BANGLADESH

BARBADOS

BENIN

CAMEROON

CABO VERDE

CYPRUS

THE COMOROS

IVORY COAST

CROATIA

EGYPT

SPAIN

ETHIOPIA

FRANCE

GABON

GHANA

GREECE

GUINEA

HAITI

INDIA

IRELAND

JAMAICA

JORDAN

KENYA

MOROCCO

MOLDOVA

NIGER

NIGERIA

PALAU

PAPUA
NEW GUINEA

PORTUGAL

ROMANIA

SENEGAL

SLOVENIA

SRI LANKA

TCHAD

URUGUAY

VANUATU

VIETNAM

ZAMBIA

ANNEX 2

The Paris Pact for People and the Planet

1. We have just concluded an historic summit on international solidarity. We are clear about our goal: a world where poverty is eliminated and the planet preserved; a world where vulnerable countries are better equipped to face the crises from climate change and conflicts. We are clear about our strategy: leverage all sources of finance, including official development assistance, domestic resources, and private investment.

2. To deliver on our goals, we need to stay united. To prevent fragmentation, we will transform the governance of the international financial architecture to make it more efficient, more equitable, and fit for the world of today.

3. We have identified four guiding principles that will help us achieve this objective:

- No country should have to choose between fighting poverty and fighting for the planet.
- Country ownership of transition strategies: facing different needs, countries may need to pursue diverse transition paths while coming together to meet the goals of the Paris Agreement. We are accelerating Just Energy Transition Partnerships and Country Packages for Forest, Climate and Nature.
- We need a financial stimulus with more resources to support vulnerable economies lifting their population out of poverty while protecting the planet.
- An international financial system that delivers more: the role of private capital. Meeting global challenges will crucially depend on the scaling up of private capital flows to transform emerging and developing economies, for a net-zero and nature-positive world and to reduce inequalities more efficiently.

4. Overall, we need a strong financial stimulus to back the concrete measures that we have agreed or advanced at the Summit:

- We have achieved the target of $100bn SDR (or equivalent contributions) to be channeled to the most vulnerable countries, especially in Africa, and call for additional pledges. We call on governments able to do so to work on further SDR rechanneling mechanisms.
- There is now a good likelihood that we will reach our target of $100Bn of climate finance this year. We will closely monitor this target and ensure that most vulnerable countries access their fair share.
- We need to be more efficient. Each dollar of lending by MDBs should be complemented by at least one dollar of private finance. Based on this, we expect from them to leverage at least 100Bn$ of private money each year in developing and emerging economies.
- We also expect an overall increase of $200bn of MDBs' lending capacity over the next ten years by optimizing their balance sheets and taking more risks. If these reforms are implemented, MDBs may need more capital. We will also cooperate to boost the investment for a list of major infrastructure projects in Africa.
- We need to accelerate debt suspension and treatments when needed, including to increase the fiscal space of countries in debt distress. We will deliver on the common framework as we did for Chad and Zambia. We also need to support each other when one is hit by a disaster. That calls for specific tools including climate resilient debt clause.
- We need all financial institutions and actors to work together. We will coordinate our MDBs and public development banks for in the Finance in Common network. We will cooperate on energy transition through the Climate Club.

5. Further work will be advanced working with G20 and climate COP presidencies on the following areas:

- New avenues for international taxation in order to fulfil our climate commitments. We will also work to take back control on financial flows that escape legitimate tax systems.
- We will promote fair partnerships, in order to develop added value by transforming raw material and critical minerals locally, and reinforce our commitment to deploy healthcare and food infrastructures to increase sovereignty.
- An ambitious replenishment of IDA to keep and increase funding of the most concessional facilities of the World Bank and the IMF.
- Including climate vulnerability in debt sustainability assessments of the World Bank and the IMF, including to enable more investment in adaptation to climate change.
- Ways to mitigate or reduce excess perceived risk, in particular foreign exchange.
- A new international finance facility for forests to pay for ecosystem services, with a goal to invest capital on the market and grant excess return to committed countries.

→ To ensure that commitments translate into concrete achievements, we will introduce a joint working committee including international and regional organizations, countries and civil societies to follow this roadmap. We will meet again in Paris, before COP30, to take stock of these commitments.