**Possible draft statement**

Participants to the Paris Summit on June 22-23 affirmed their collective determination to address the joint climate, nature and development challenges through increased global cooperation. Faced with the most challenging environment in decades, they affirmed that 2023 could be transformed into a year of opportunity. They identified a series of priorities to achieve their objective of building a shock-responsive financial system fit for the 21st century. They affirmed that no country should ever have to choose between reducing poverty, promoting human development, achieving a green transition and preserving the planet. With those objectives in mind, they converged on a shared ambition to win the battle against poverty and vulnerabilities to protect global public goods; and to mobilize the additional public and private resources it takes to meet these challenges.

This New Global Financing Pact, aims to guide and inspire our collective actions, building on key milestones, including the G20 Summit in Delhi, the IMF and World Bank Annual Meetings in Marrakech, and COP28 in Dubai.

It is based on four guiding principles.

1. **First, Fighting poverty while fighting climate change**

8.5% of global population still live in extreme poverty. For the first time in decades, we have seen backsliding on key development indicators. 120 million people have been pushed back into extreme poverty in the last three years. Progress toward SDGs have been reversed with rising levels of food insecurity, inequality, and declining life expectancy. Multiple, overlapping shocks, compounded by heightened debt vulnerabilities, have left many developing countries with reduced resources and dwindled fiscal space.”

Fighting poverty and fighting climate change converge in the long run. But the transition may be hard and poor people may be especially affected. Preserving the development agenda and keep fighting poverty while effecting the transition is essential.

We will make sure that addressing new, global, challenges will never be done at the expense of the poor.

1. **Second, Country ownership of transition strategies**

Countries are facing different circumstances and constraints while conducting the energy and climate transition. Tradeoffs must be well managed, with specific attention to how it affects the most vulnerable and poor people so that it leaves no one behind. Without growth, there is no resource to finance and support the transition. Each country must therefore be free to pursue their own transition paths, according to their own country specific circumstances while coming together as part of the global effort to meet the goals of the Paris Agreement.

1. **Third, An international financial system that delivers more and better resources**

Significant investments are needed to achieve the SDGs, reduce the emission of greenhouse gases, build climate resilient societies and respond to other global challenges. While only a part of the agenda, finance is essential. High levels of ambition have not been matched by actual commitments. Key to restoring trust is that future commitments are accompanied by credible plans for their implementation. We will work for a stronger, fairer, and more efficient international financial system. We will make sure that countries that are hit the hardest by current crises are fully part of – and when necessary leading - these conversations.

* 1. ***Concessional finance***

Concessional finance will be key to achieving our goals. Mobilizing resources is a priority. We support an ambitious IDA 21 replenishment next year. The 2023 IDA mid-term review should aim to ensure IDA can continue to adequately support eligible countries . Countries should also urgently consider increasing their support to the IMF Poverty Reduction and Growth Trust on a sustainable footing in the near term and close the current funding gap

Because it is scarce, concessional finance must prioritize benefiting the poor and low-income countries. It should contribute critically important financing for all SDGs including poverty reduction, food security, health, education, adaptation to climate change.

We will explore methods for providing additional concessional finance for middle-income countries to bolster efforts for provision of global public goods.

* 1. ***Other low-cost resources***

Every approach to mobilize and increase sources of low-cost finance should be actively explored.

SDRs rechanneling - or equivalent contributions - towards poorest countries should be completed. We will deliver on existing pledges and commit more on SDRs rechanneling towards poorest countries.

New ways to use SDRs as hybrid capital instruments for MDBs to enhance their lending are a promising avenue and need to be brought to fruition. MDBs could explore ways to issue SDR-denominated hybrid capital instruments to enhance their lending capacity.

New, innovative and stable sources of finance - borne out of international cooperation - will be necessary in the future. We are determined to keep working together on this important issue.

* 1. ***Private sector mobilization***

Climate mitigation and other global challenges will crucially depend on the scaling up of private capital flows to emerging and developing economies. Removing regulatory obstacles in investors’ countries, improving the policy and investment climate in recipient countries, better information, data and standards, are all essential. Public support will prove necessary including in the form of risk sharing arrangements (guarantees and other incentives) provided by public institutions. We should maximize sources of flexible catalytic capital from donors and philanthropic organizations and de-risking instruments from MDBs and DFIs to mobilize private investment at scale for the development of sustainable infrastructure in emerging markets and developing economies asset recycling, securitization, etc.) and support for project preparation.

* 1. ***Multilateral Development Banks***

The reform of Multilateral Development Banks (MDBs) should aim to combine:

* + 1. *greater resources* *and larger commitments* for low- and middle-income counties. Following the implementation of all appropriate CAF recommendations to make the most efficient use of existing resources, a capital increase of some MDBs, with its leverage effect, could be considered.
    2. *an increase in private capital mobilization*. MDBs should aim to support public and private investments in climate and nature-based solutions, including through technical assistance and capacity building including by expanding the use of innovative risk-sharing tools and platforms with a strong leverage effect, offering sounds policy and regulatory advice, providing project preparation, and improving execution capacity.
    3. *a reformed operational model*. We call upon MDBs to play a key role through increased financing, policy advice and technical assistance for the benefit of developing countries, particularly least developed and most vulnerable countries. We also call on them to establish incentives for staff to mobilise private capital, to enhance the use of MIGA’s insurance toolkit in coordination with the other risk sharing instruments in order to maximize their impacts.
    4. *more mutual synergies*. MDBs should work as a system, also in cooperation with regional, national development banks and vertical funds. work as a system, including through a review of the climate finance architecture to ease access to finance, reduce fragmentation and improve efficiency. We call on MDBs to work as a system, also in cooperation with regional and national development banks (through the Finance in Common Initiative) as well as UN agencies and philanthropies They should form the heart of a wider global financial architecture, based on comparative advantages, supported by civil society.

1. **Fourth, An international financial system that works for everyone**

Macro financial risks and shocks are unequally distributed, and their effects unequally felt across countries. The cost of capital is higher for EMEs and developing countries. 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. We will explore ways to mitigate or reduce excess perceived risk, in particular foreign exchange, using the benefits of diversity, liquidity and capital, to conservatively select periods to reduce the market cost of FX hedging.

We need to address vulnerability 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. Hundreds of millions of people are potentially affected by humanitarian and natural disasters. Some countries are more exposed (e.g., small islands, Sahel countries). and least equipped to withstand the impacts of those shocks. We need to have a range of tools that are responsive to these countries’ needs and help them to increase resilience in the long run. Providing ample liquidity and support for reconstruction through quick disbursements is a priority. We urge all creditors — including the private sector, multilateral development banks, and bilateral creditors — to offer climate resilient debt clauses.

Revisiting the financing model of humanitarian aid should aim at stabilizing its resources.

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We need greater cooperation on debt, both for low-income and middle-income countries, including the swift conclusion of cases currently under treatment under the G20 Common Framework. In the future, possible options for facilitating more timely and predictable Common Framework treatments may include (1) introducing notional timelines for each stage of the Common Framework process (2) publishing a user manual to clarify the debt restructuring process (3) allowing debt service suspension on an IMF program until conclusion of a debt treatment by official bilateral creditors.