L20 Statement to the Second meeting of the DWG Thematic Group on Financing for Sustainable Development (FSD)
Virtual Meeting – 5 May 2021, 12.00-15.00 CET

Session 1: Integrated National Financing Frameworks (INFFs)

- The L20 supports the promotion of strengthening financing strategies and enhance their alignment with the SDGs through the INFFs, which importantly also represent the link to the financing of Nationally Determined Contributions (NDCs) as part of the Paris Agreement on climate change.

INFFs should be built on county ownership, as well as voluntary basis commitments but they should be also encompassing the <u>full participation of social partners in developing policies, strategies and financing frameworks</u> leading to sustainable solutions for recovery and resilience.

→ the L20 calls on both development partners and developing countries to support engagement with social partners within INFFs.

- INFF should be primarily based on supporting developing countries efforts in domestic resource mobilization, building progressive taxation systems that can guarantee <u>comprehensive social protection systems and access to public services and goods</u>, tackling inequality and environmental sustainability.

→ the L20 welcome the connection between INFFs and the financing of specific priorities, such as financing social protection systems and advancing gender equality.

- Social protection is primarily a responsibility of national governments as set out in ILO recommendation 202. Accordingly, governments should ensure sufficient fiscal space for social protection through various methods such as domestic resource mobilization, correct budget prioritization and fighting illicit financial flows. However, <u>major financing gaps for social protection exist, making it impossible for some governments to ensure the development of an adequate national social protection system in the short term</u>. Establishing a social protection system requires a nationally owned financing strategy. INFFs are instrumental in this respect. This strategy should reflect all sources of finance - both domestic and international such increased levels of ODA.

→ the L20 reiterates that a global fund for social protection can have a catalytic role in kick starting financing of social protection systems in countries most in need.

Social protection for all distributes wealth and supports gender equality as well as inclusive and socially cohesive societies. The fact that social protection is by definition a horizontal set of policies to address a broad range of issues grants that creating a global fund that will adopt a holistic approach to each country's national plans towards the SDGs.

Session 2: Sustainability-linked financial instruments

The L20 calls on DWG members to increase their efforts in delivering specific criteria and principles when it comes to sustainable finance, such as:

→ Adopting a common language and working definitions. We urge a broader SDGs perspective – namely on social effects such as effects on decent job creation, income equality and efforts to promote a Just Transition.
→ The social taxonomy should provide a framework that requires (sine qua non) investors and investee have to demonstrate full respect and corporate due diligence in ensuring abidance by internationally recognised standards.
→ The market of green and social securities is increasing. However, the market is not transparent. Common principles and criteria should be adopted when it comes to impact reporting which obviously goes hand in hand with the taxonomy issue.
→ Structured and permanent consultation of social partners in the shaping and regulating the sustainable finance market should be prioritised.

Session 3: Engagement with the Finance Track on FSD and the use of debt-related resources for the SDGs

- The L20 welcomes the approach aimed at delivering guidelines or monitoring principles on the use of debt related resources for the SDGs. The L20 recommends further analysis to support a more detailed proposal on this matter.
- Relevant challenges will need to be taken into consideration and addressed such as the need for more debt transparency, and the private sector creditors engagement. Both will be key to mobilise additional resources.
- Freed up resources by debt relief initiatives will need to be invested to support a green and inclusive recovery and public goods. A possible SDG fund run by developing countries and operating in local currency could be used to support immediate budget needs including scaling up health and social protection and sustainable fiscal stimulus for recovery, alongside patient investment for jobs, especially climate-friendly and care economy jobs.
- Once again, the contribution of both social partners, would grant a greater focus on SDG 8 including productive investment to create more and better jobs.
- The L20 welcomes the coordination established on this matter by the DWG with the Finance Track.