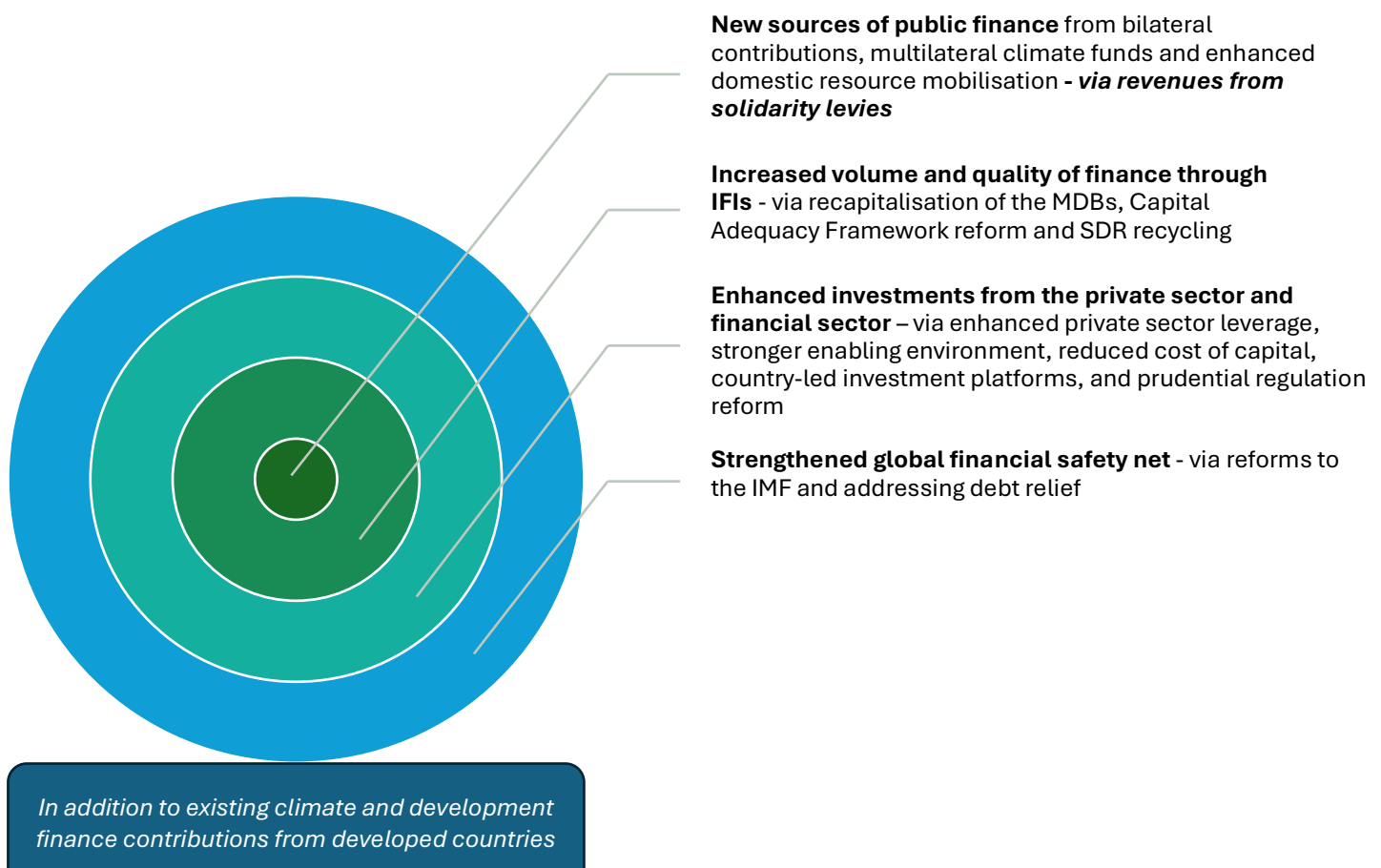


# Global financial architecture reform and solidarity levies

There is a significant gap between current financing and the levels required to meet the 2030 Sustainable Development Goals, the Paris Agreement and the Global Biodiversity Framework. Developing countries have pushed for renewed global efforts to ensure the financial system delivers adequate scale and quality of financial flows for their needs and priorities. Global initiatives such as the Bridgetown Initiative, the Nairobi Declaration, and the Paris Pact for People and Planet all reflect the high level of political attention paid to the agenda of reforming global financial architecture over the past few years.

Global financial architecture reform encompasses a wide range of focus areas:



While the political attention has been mostly on IFIs so far, in particular MDB reform (increasing lending), progress now also needs to be made on other fronts, especially to increase concessional (debt-free) financing for the poorest countries. *The success of efforts to ensure that the global financial system is fit for purpose for the international climate and development goals hinges upon ensuring the provision of new sources of public finance.*

There is a significant deficit of grant or highly concessional public finance, which is important for investments in adaptation, access to essential services and loss and damage, for example, and to support highly indebted low-income countries who cannot take on more loans and do not attract private capital. Concessional financing of \$200–300 billion annually is needed by 2030 to meet the Paris Agreement goals alone; much more is needed to achieve the Sustainable Development Goals (SDGs). However, overseas development assistance flows from donor countries are declining amid tightening fiscal and political conditions domestically.

**New sources of climate finance are also essential in the context of the New Collective Quantified Goal.** Many options for levies could easily generate more than \$100bn per year. Depending on the total amount of levies implemented, the cumulative revenue generation from a set of solidarity levies could exceed \$500bn per year in a high ambition scenario. As such, solidarity levies are a foundational aspect of the ‘Baku to Belém Roadmap’ to scale up finance for developing countries to \$1.3 trillion by 2035.

***In this challenging context, there is an emerging consensus that a key area of reform to generate new and additional resources for international climate and development finance relates to new forms of taxation known as solidarity levies.***

- **Levies on polluting yet undertaxed sectors of the economy and sectors benefiting hugely from globalisation** – such as fossil fuels, maritime shipping, international aviation and financial services, among others – have enormous potential to mobilise new, additional, predictable and adequate financial resources without worsening existing debt burdens. For instance, a 0.5% levy on the trading of shares could deliver up to €260 billion per year on a global level, or a \$5 per tonne of CO<sub>2</sub>e on the extraction of fossil fuels in 2024 would generate an estimated \$216 billion per year.
- **Finance from solidarity levies can help fill the concessional financing gap.** In developing countries, solidarity levy revenues can go towards supporting domestic public finance for achieving climate and development goals. For developed countries, mechanisms for the allocation of revenues internationally will need to be agreed upon. There are many examples of where such levies have been imposed unilaterally. However, international coordination on the implementation of these levies is required to ensure that the finance is used for solidarity. This builds on existing models such as the air ticket levy that provides funding for UNITAID.
- **The Global Solidarity Levies Task Force is the most prominent government initiative seeking to make progress in this space.** Established in 2023, led by Barbados, France and Kenya, and supported by 17 governments, it aims to launch at COP30 coalitions of the willing backing the implementation of solidarity levies domestically or in a relevant international forum.