Framing Paper: Considerations on the Use of Revenues from Solidarity Levies

Secretariat of the Global Solidarity Levies Task Force – June 2025

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Introduction

As the Task Force moves to develop concrete proposals for solidarity levies, now is an appropriate time to also begin discussions around how revenues from such levies should be used. This paper aims to provide **an entry point for this discussion, examining key issues to facilitate a dialogue that can enable convergence between governments**.

Many governments and experts throughout consultations with the Task Force to date have emphasised the importance of linking the use of revenues and the proposal for a solidarity levy, recognising that **public and political support for a levy can be strengthened through a clear understanding of how the proceeds from a levy would be used**. This can be particularly powerful when there are global issues universally recognised as requiring finance and the direct impact of additional financing can be proved. In the past, global concern for diseases such as HIV/AIDS built support for the first ever international solidarity levy, the UNITAID levy on airplane tickets. Today, the climate crisis but also the recent global pandemic can be such a rationale.

Next steps

- *The GSLTF Secretariat will issue a **Call for Proposals on Revenue Enhancing and Redistribution Mechanisms** inviting multilateral organizations to submit proposals for mechanisms that can effectively channel the international portion of future levy proceeds to poorer and more vulnerable coalition countries for climate and development purposes in a manner that is efficient, equitable, and accountable.*
- *The GSLTF Secretariat will issue a **public consultation on draft principles for guiding the use of revenues** informed by considerations and ideas outlined in this paper*

To provide a starting point for this discussion, this paper will examine key issues related to the use of revenues:

- What are the ***objectives*** of the use of revenues from solidarity levies? What best to use the revenues for? In terms of impact and political acceptability.
- What are the ***commitments*** *from* countries regarding the use of revenues from solidarity levies?
- How to make sure to reflect ***common but differentiated responsibilities*** in the allocation of the proceeds?
- How to ensure the proceeds are ***additional*** to existing development and climate commitments, both at domestic and international levels?
- What systems could be used to ***leverage*** the proceeds both at international and domestic level and multiply their impact?
- What systems of ***accountability*** might be needed to ensure countries follow through on their commitments in terms of use of the proceeds and to avoid a free rider problem?

Overall, the following **decisions will have to be taken by governments implementing solidarity levies**:

- How to define 'climate and development'? Which sectors to select?

- Which share of the proceeds (and from which countries) should go to international action?
- Should the domestic revenues of advanced economies be used for the same sectors as their international share and as the domestic revenues of poorer and more vulnerable economies?
- How to create the right incentives for developing countries to join the coalition of the willing and implement levies at home?
- How to channel the international portion of funds to developing countries (and to which)?
- How to ensure accountability and effectiveness of the use of the funds? (Both of the domestic and the international portion)

Considerations to be taken into account for the decision making:

- The mandate of the Task Force which focusses on climate and development;
- The nature of the future proceeds, which comes as debt-free financing;
- The historic precedents for solidarity levies, in particular the airplane ticket levy funding the fight against AIDS;
- The existing and future needs, in particular in adaptation (incl. food security and health related adaptation) and loss and damage, which will both increase in the years to come;
- The need to reconcile international tax cooperation with national sovereignty;
- The risk of limited additional revenue in the first years of the levies (before growing the coalition further);
- Importance of quickly providing proof of concept and a compelling narrative which shows that international solidarity levies are possible and make a difference.

These sections provide framing to inform the conclusion of this paper, in the form of **a draft set of principles on the use of revenues from solidarity levies** (published separately in the consultation on the GSLTF website)**.**

1. Why solidarity levies?

The gap in climate and development finance has been a longstanding issue, particularly since the adoption of the Sustainable Development Goals (SDGs) and the intensification of the climate crisis, which has exacerbated poverty, hunger, and other development challenges.

Today, this persistent and widening financing gap has become untenable. The COVID-19 pandemic severely impacted many low-income countries, wiping out a decade of progress in the fight against extreme poverty and significantly increasing debt burdens. At the same time, high-income countries have also seen their fiscal space shrink, first due to pandemic-related spending, and then because of new priorities such as the war in Ukraine and increased defence expenditures.

Yet even without these fiscal constraints, structural barriers continue to obstruct the stable mobilization of funding for global public goods (GPGs, including development issues). These sectors are frequently the first to experience budget cuts, as their impacts are long-term and cross-border, and therefore often deprioritized in domestic political debates. It is difficult to imagine resolving these financing challenges—or making real progress on poverty reduction and climate action in the world's poorest countries—without turning to new sources of funding. This underlines the urgent need for structural, large-scale, and widely legitimate solutions.

A central challenge lies in the paradox of globalization: many of the activities that benefit most from global integration—such as international finance, transportation, and digital services—remain under-taxed. At the same time, the intrinsic value of funding international activities, especially those addressing global challenges, is rarely reflected in national budget priorities.

There is precedent, however, for innovative approaches that succeeded in mobilizing international financing for global needs. The early 2000s saw pioneering efforts in global health financing, driven by the development of new treatments such as retroviral therapy that also needed to be made available in the Global South. Mechanisms like the International Finance Facility for Immunisation (IFFIm), Advance Market Commitments (AMCs), and the solidarity levy on airline tickets helped fill the funding gap. These initiatives demonstrated that innovative and coordinated mechanisms can raise significant, stable resources for GPGs.

In 2011, the Gates Report to the G20 revived momentum around innovative financing and in particular the financial transaction tax, which then was introduced in France and earmarked for global health and climate. Since the COVID-19 pandemic, this conversation has intensified again, with high-profile initiatives such as the Bridgetown Agenda calling for international taxation to fund GPGs.

While taxing international activities to fund global public goods is both logical and equitable, such a link is not always a prerequisite. For instance, France's Oudin-Santini mechanism channels voluntary water utility levies toward international development cooperation, even though the underlying tax base is domestic and local. This model of decentralized cooperation illustrates that domestic bases can, in some cases, be used to support global objectives—though with differing implications for scale.

In the context of this Task Force, we define solidarity levies as domestically implemented taxes that are internationally coordinated—both in design and in the use of proceeds. Their primary purpose is revenue mobilization, with climate benefits as a possible co-benefit. These levies should aim to cover broad tax bases to minimize distortion while maintaining progressivity—an essential feature of solidarity.

The forthcoming report '<u>Global Solidarity Levies: A Practical Negotiation Framework to Finance the low-carbon Transition and Development</u>' further clarifies the unique value proposition of global solidarity levies: their revenues are earmarked for a common international pot, unlike most domestic taxes. While solidarity levies could, in theory, be applied to domestic bases (e.g., WHO's 2009 proposal to tax tobacco), they are most effective and legitimate when applied to tax bases that are:

1. Produced internationally – enhancing the perceived fairness of allocating the revenue to a global cause; and
2. Highly mobile across borders – necessitating international cooperation to avoid tax base erosion.

Nevertheless, early adopters can begin with less mobile international tax bases or, as a second-best option, with national bases that are relatively stable. These steps can build momentum and legitimacy while paving the way for broader international agreements.

In short, the global financing architecture must evolve to meet the scale and nature of today's global challenges. Solidarity levies offer a compelling pathway, grounded in fairness, feasibility, and international cooperation.

2. When is the right time to address the question of the use of funds?

There are two possible approaches to designing solidarity levies: one is to wait until agreement is reached on the levies themselves before beginning discussions on how the revenues will be used; the other is to advance both conversations in parallel, as far as possible.

While each approach has its merits, the latter appears more appropriate for the Global Solidarity Levies Task Force. Firstly, the timeline is tight, with an agreement targeted by COP30. Secondly, clarifying the intended use of revenues early on can help build broader support—both from governments considering joining the coalition and from citizens who are more likely to endorse levies tied to tangible, equitable outcomes. Thirdly, even though the precise amounts to be mobilized are not yet known, it is essential to address foundational questions now and allow time for the necessary technical work, such as identifying suitable multilateral channels for the deployment of funds. We also note that there's been a strong urge from countries at the Ministerial held in March 2025 to advance the work on the use of the revenues in parallel to the work on levies.

3. What are the objectives of the use of revenues from solidarity levies?

There is a high degree of convergence among climate and development stakeholders regarding the needs of developing countries. In the context of deep and widening financing gaps for climate and development, the revenues from solidarity levies can play a crucial role in ensuring sufficient and adequate finance is available for developing countries. The scale of financing requirements is significant. At COP29, Parties agreed that developing countries would receive at least $1.3 trillion per year in climate finance by 2035. The gaps to meeting global development goals are larger still. According to the 2024 Financing Sustainable Development Report by the UN, the sustainable development financing gap is in the range of between $2.5-4 trillion annually. This doesn't even include any financial needs for nature.

However, despite the widely recognised need for revenues to close these financing gaps, a discussion between governments on the use of revenues from solidarity levies is complex to engage in as there is no common set of agreed priorities. The financing of development and climate action is currently organised within an intricate architecture of bilateral and multilateral relations between recipient countries and donors, based on informal coordination mechanisms between countries with partially converging objectives. There are many important factors to be considered in deciding the use of revenues, including, among others, where the revenues are collected, what type of financing they support, and what specific issues they address. Priorities in respect to these questions inevitably vary among countries.

Moreover, while finance is needed for both climate and development goals, sometimes it is perceived that these objectives are not fully aligned with each other. However, as the Paris Pact for People and Planet outlined as a guiding principle: **no country should have to choose between fighting poverty and fighting for the planet.** Climate and development finance are two sides of the same coin. The revenues from solidarity levies are instrumental to respond to the dual, linked challenges of climate and development in an integrated manner, capitalising on the positive feedback loops that finance for climate action can bring to development progress and vice versa, and recognising that the implementation of the Paris Agreement and the Sustainable Development Goals are intertwined.

It is also important to consider the type of financing levies would be able to generate. While many of the options currently being explored to increase financing are debt-based (blending, higher risk taking by MDBs, SDRs…) and require additional subsidies to function, the levies would allow to generate debt-free finance in the form grants. At this stage, there are only three sources of debt-free, international financing: direct donor support from ODA; carbon credits; philanthropy; and -soon- levies. This makes the future revenues from levies particularly precious and it is particularly important to take into account the nature of this type of financing for its use. In particular, levies will generate:

- Direct financial flows of cash. The fees are paid in the form of cash transfers from polluters or relevant sectors to national budgets or international entities. This means the revenues are highly liquid assets which are readily accessible and transferable in an efficient manner without incurring significant losses.
- Stable and predictable streams of finance. Levies will be imposed based on specific, fixed criteria on sources which, though variable, are well-defined. If tied to the carbon price, they should evolve over time to continue to generate a stable income, at least up to 2050.
- Easily additional to existing budgets, as they will constitute a new (or enhanced) source of finance (provided that revenues are channeled internationally and not used to substitute existing budgets domestically).

In this context, several areas emerge as possible approaches for the use of revenues:

- **The funding gap for sustainable development is estimated between $2.5 to 4 trillion for developing countries,** with least developed and low-income countries facing the biggest gap. According to estimates, their gap amounts to 15-30% of their GDP.
  - Providing **Public Goods (beyond climate**) **and ensuring key development issues are financed** provides benefits not just to the recipients but everyone around the world. This includes key areas such as **global health, food security, and education** among others. However, in general, public goods are under-supplied because there are not sufficient incentives for the private sector to invest in them or simply no business model which would warrant an investment, and low-income countries cannot mobilize enough domestic resources to fully fund their essential public policies. This challenge is likely to be a long term one, as according to the World Bank "on recent trends, all but six of today's low-income countries (LICs) will remain low-income through 2050." This shows that there will be a

continued need for social financial transfers globally to provide essential public goods such as health, education and food security, similar to what is the case at state level (US transfers between states) and regionally (EU cohesion funds).

- **Mitigation finance** needs are estimated at $1.6 trillion per year by 2030 for EMDCs other than China for a Paris-aligned clean energy transition according to the IHLEG. Private finance will be the main source of investment in infrastructure for renewable energy generation, rather than public grant-based or concessional finance.
    - There are only a few areas where concessional finance could be justified such as costs related to ensuring a **just transition**, which often do not attract financing because the benefits accrue as public goods to a broad group of affected people rather than concentrated into a set of private actors. Private investment in EMDCs requires healthy conditions for a debt-financed push, which may need public finance interventions to achieve.

- **Adaptation finance** in 2022 globally reached only $76bn, equivalent to just 5% of total climate finance flows. Adaptation finance needs in EMDCs other than China is estimated by the IHLEG at $200-300bn annually by 2030 rising to $300-400bn by 2035. Adaptation finance is also the area which best shows how closely intertwined development and climate are. In practice, most of the adaptation finance would count as ODA (indeed, IDA is one of the largest single providers of adaptation finance) and include support to sustainable agriculture, food security and other 'traditional' climate issues.
    - Private finance can play a role in investing in adaptation; however, the returns from adaptation investments are often perceived as low and typically generate savings (better suited to long-term public-backed investments) rather than yielding the revenue streams necessary to attract private financing. While blended finance can be promising in driving private finance towards key adaptation areas, in some instances adaptation projects can only be supported by highly concessional finance. Given that the costs of resilience (and the costs of inaction) also increase in advanced economies, adaptation could be well suited as a priority area for all countries of the Coalition.

- **Loss and damage finance** needs by 2030 for EMDCs other than China are estimated at least $250bn, rising to over $400bn by 2035, according to the IHLEG. The initial capitalisation of the Fund for Responding to Loss and Damage (FRLD) remains at around $780m. There is a risk that without further pledges and a sustainable long-term capitalisation strategy the FRLD does not achieve its stated aims. In general, loss and damage finance requires highly concessional or debt-free finance.
    - There are limited incentives to attract private finance. Moreover, loss and damage finance needs to be highly responsive, with developing countries able to receive finance in the immediate aftermath of rapid onset events. Loss and damage needs are likely to increase massively in the years to come, which could also warrant the use of levies.

We have not included any considerations regarding nature and biodiversity here. While financing issues are increasingly discussed along the lines of development, climate and nature needs, nature isn't mentioned in the terms of reference of the Task Force. Also given that revenues may not be significant at the start, we considered that it would be better to 'limit' the use to development and climate as initially set out by the co-chairs.

Consideration is needed as to whether and how the design of the solidarity levy relates to the decision on the allocation of its revenues:

- The revenues could be contributing to broader needs and uses of development and climate finance without specific aims attached.
- Another approach would be for a single levy to be designed to raise revenues for a single, specific need (as in the example of the UNITAID levy which raises revenues solely for access to treatment for tuberculosis, malaria and HIV/AIDS in low and middle-income countries).
- The Polluter Pays Principle means that those who cause pollution should pay for its consequences. This provides a good argument for a degree of revenue allocation towards ensuring that the full costs of pollution are borne by those causing it.
- In contrast, levies on financial transactions, for instance, are less readily and directly attributable to the decarbonisation of a related high emissions sector and may have broader applicability. As they are not linked to a carbon price, they are likely going to be a particular stable and long-term financial source, even beyond 2050, which should also be considered.

<u>Initial Recommendations</u>

We would recommend that governments implementing solidarity levies agree to use the funds for:

- *Global health (based on the historic precedent),*
- *Adaptation (given the need for additional grant financing and the urgent needs in both poor and advanced economies) and*
- *Loss and damage (to ensure the Fund for Responding to Loss and Damage can be operationalised and to prepare for the increase in needs over the coming years).*

<u>For coalitions of the willing by COP30</u>
Each coalition / 'club' could prioritise one single purpose, such as adaptation and resilience for all the revenues (ideally 100% of the revenues, regardless of their domestic or international use). A small portion of the revenues could be used by each government to support health and loss and damage (or any other agreed area). This would facilitate communication around the levies (one clear purpose with a clear impact story).

<u>Capacity Building</u>
We would recommend earmarking a small portion of the proceeds for capacity building of tax administrations in developing countries (such as via the Tax Inspectors without Borders Initiative).

4. What are the responsibilities of countries regarding the use of revenues from solidarity levies?

International obligations

A fundamental tenet of global climate politics is the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC). Under this principle, in traditional discussions on climate finance, this translates into a greater responsibility on developed and wealthier countries to provide financial support to developing countries. It will be important for solidarity levies to adhere to such a principle to reflect justice and fairness. Developed countries would be expected to collect revenues and commit to spending them in parts for global solidarity with developing countries.

The fundamental tenet of development finance is the historic goal to allocate 0.7% of GNI to ODA (and 0.2% to LDCs). While ODA has increased significantly between 2010 and 2023, a significant part of the overall increase was due to in-donor refugee costs, humanitarian aid and in climate-related development finance (for bilateral ODA). (Rethinking the Development Story of the 21st Century, Amar Bhattacharya, concept note for the OECD). However, in recent years, several donor countries have heavily cut their ODA and are planning more cuts. The 0.7% target has ever only been achieved by less than 10 donors.

Given recent cuts to aid, it will be important to show that the proceeds from levies are not being used by donor governments as a substitute but that they come on top of existing ODA commitments (if not even additional to the 0.7% target). The flows from the proceeds could be tracked as part of the OECD DAC reporting process, while remaining separate from the 'regular' ODA budget. This is possible as discussed with the DAC chair. Donor governments part of the Task Force should uphold their commitment to ODA, in parallel to their efforts on solidarity levies.

Domestic investments

However, it is also important to recognise that political support for levies in advanced economies may be contingent upon ensuring that a share of revenues is used to address domestic challenges relating to climate action, the provision of public services and social justice. There are benefits to allowing a share of revenues in wealthier countries to be used domestically. Priority issues for developing countries – whether addressing adaptation and loss and damage or building effective healthcare systems – are often important and under-funded areas of public spending in developed economies too. Ensuring that any domestic share of revenues from levies are used for these issues and avoids misuse (such as spending on activities that would undermine sustainable development or climate action), would not only be important to ensure the integrity of solidarity levies, but would foster a truly global sense of shared responsibility to act on universal issues of solidarity.

At the same time, solidarity levies are not envisaged as instruments that would solely be implemented by developed countries. Revenues raised by developing countries should be collected and retained nationally to improve domestic resource mobilisation (DRM). This approach would help ensure that developing countries increase their DRM, recognising that 83% of low-income and 48% of lower middle-income countries collect less than 15% of GDP in taxes – the threshold required for a path to growth. (The average tax-to-GDP ratio for OECD countries in 2023 was 33.9%).

Moreover, there is a need to have a wide implementation of solidarity levies so as to ensure compliance and minimise avoidance and leakage. This is because solidarity levies are typically applied to highly mobile tax bases (such as in the transport sector) requiring international cooperation to enforce. This means a wide range of countries, across varying levels of income and development status, will be required to align around a shared level of ambition regarding the rate, base and implementation of a solidarity levy (while recognising that in practice, equal levels of ambition does not necessarily mean identical policies, and consideration will be need to be given to capacity building and support to ensure effective implementation in jurisdictions with weaker tax systems).

Applying levies across different types of economies and not only in donor governments would also allow to bolster the narrative that climate, but also health, food security etc. are global public goods and need international sources of financing and need to be seen as an investment into global stability and our common future.

Levies in the global financial architecture

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 Pact for Prosperity, 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.

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.

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.

While developing nations would also implement the levies, this part of the revenue should not be counted towards any international public finance, such as the 1.3T in the Baku to Belém Roadmap. The levies' contribution to the 1.3T would solely consist of the portion of revenues from developed countries that are allocated internationally to developing countries for climate finance.

5. How can the use of revenues from solidarity levies ensure the sovereignty of national governments?

International cooperation on solidarity levies is essential for several reasons, including ensuring effective and standardised implementation to avoid loopholes and shifting tax bases to lower tax rate jurisdictions. **However, it will be important to ensure that such international cooperation is compatible with the primacy of national sovereignty.** The power of taxation is central to the sovereignty of states, and new international contributions should therefore be based, from a democratic and legal point of view, on the consent of states and, beyond that, of their citizens.

Different approaches are possible that would ensure this, such as:

- An internationally agreed set of common criteria for a solidarity levy (such as a minimum definition of the tax base and a minimum rate), but which would be implemented domestically according to national systems and rules;
- Universal agreement on a single framework for administering a solidarity levy, such as had been under discussion regarding a global maritime shipping levy at the IMO.

While there is a need to forge consensus on the joint use of the revenues, the implementation of most levy options is likely to be at national level. **Hence there is also a question of how to ensure the national earmarking process is organized in line with the agreement at international level while meeting public finance requirements**.

Earmarking (or ring-fencing or hypothecating) revenues would protect them for spending on a dedicated purpose. Both for the use of the 'domestic' and the 'international' part of the revenues, this direct link can make the levy more legitimate and acceptable. It can increase the clarity of contributions – for both contributors and beneficiaries – and provide certainty over the allocation, especially if earmarking is agreed by partners internationally. It also ensures more stability and predictability of the revenue flows.

Earmarking is generally discouraged by finance ministries as it introduces rigidity into the allocation of resources (although nonetheless earmarking is frequently used in government budgets and has in the past increased the acceptability of specific levies).

To ensure sovereignty it would be important that earmarking approaches are applied domestically according to national preferences.

Initial Recommendations

The group of governments implementing solidarity levies could agree to ensure revenues are earmarked in their national budgets as part of the principles for the use of the revenues. For donor governments, it would be important to reiterate their commitment to the 0.7% and that the levies would come on top of existing development and climate finance commitments. The Task Force could support the group of governments by providing common guidance to support aligned approaches to earmarking.

6. What systems of accountability might be needed?

At a minimum, the coalition of the willing should agree to a strong monitoring and accountability system, if there is no commitment to earmarking.

Visibility and transparency on how the revenues from solidarity levies are used is key to ensure trust, integrity and support domestically and internationally:

- **It is critical that the revenues from solidarity levies are used as new and additional** sources of climate and development finance rather than substituting existing flows of overseas development assistance so as to ensure a net increase in total international financial support to developing countries. The same holds for the domestic use of the funds where the additional financing shouldn't crowd out any existing public investments into the said sectors.
- **It is important to ensure that no country misuses the revenues** from solidarity levies in a way that undermines global solidarity on sustainable development and climate action, such as using revenues to invest in polluting or extractive activities.

There are different approaches to ensure accountability of the use of solidarity levy revenues:

- The monitoring could be done by the same multilateral funds receiving the revenues. However, this would require those funds to be able to distinguish the contributions from levies from 'regular' contributions and to be able to do a timely and specific reporting of the impact. It would also not solve the problem of the monitoring of levy revenues used domestically. Furthermore, to be able to track the impact of the revenue flows the monitoring would need to include reporting about the exact design of the levy implemented and the total revenues collected which could only come from the coalition member governments.

- Each coalition member government could commit to provide the reporting needed for the monitoring, from the design of the levies through to the use of the funds. This would require comparable data and timely reporting. However, it wouldn't allow to tell the 'full story' of the impact of the levies as it would only allow for different, separate reports.
- The third option would be to combine the different elements mentioned above as part of a centralized, independent monitoring system, independent from the 'allocation channels'. This system would rely on data from the governments and any 'channelling' and / or implementation mechanism and compile a comprehensive report and aggregate impact to show the impact of levies globally. This could be done by a third party (governmental such as the OECD or totally independent like a think tank or research institutes) or by the Secretariat with the support of relevant third parties.

Initial Recommendations

- *We would recommend the latter as the best solution, to ensure a close link with the participating governments and ensure that the reporting on impact can be used to make the proof of concept and to expand the coalition of the willing in future years.*
- *While the revenues should be additional to ODA, it would be possible to report them as part of the ODA reporting (but in a separate line). This way the use of revenues would comply with ODA rules and be reported in a rigorous and comparable manner. Including them in the Total Official Support for Sustainable Development (TOSSD) reporting could be another option.*

7. Pros and cons of different options to channel the levy revenues internationally

The revenues of the solidarity levies could be channelled via multilateral organisations, in particular the international portion of the revenues from developed countries to support developing countries, either through a specific mechanism or as top up to existing programmes. The other option is for revenues to go through domestic mechanisms (for the international portion of the revenues, this would be through bilateral aid systems). We suggest assessing the different options against the following criteria:

1. Existing Channel or Quick Setup: The channel must already exist or be quickly established without additional resources or new institutions.
2. Alignment with Priority Sectors: Options must align with agreed priority sectors.
3. Speed of Disbursement: Channels must have a proven track record of quick disbursement to ensure rapid impact and maintain political momentum, with reasonable levels of administrative costs.
4. Visibility and Transparent Reporting: Options must ensure the visibility of levy revenues, separate from regular contributions, and provide timely, transparent reporting on their specific impact.

5. Co-financing and Complementarity: Options should enable co-financing of national priorities/programs and complement the investment of levy revenues in coalition developing countries (e.g. Fiji's national adaptation fund).
6. Leverage: Channels that offer catalytic leverage (through matching contribution or attracting other contributors like non-coalition governments or philanthropy) have an additional advantage.
7. Channelling Contributions: Consider if the channel can channel contributions from beneficiary countries, similar to the UNITAID model.

There are some instances where further definition of the criteria is required, namely:

1. Country Earmarking: One option could be to allow revenues to be earmarked for coalition countries, providing an additional financial incentive for the developing countries in the coalition. This may be more technically complicated to implement, however. Another option could be to allow the revenues to benefit all developing countries. This may be easier to implement within existing funding models, but it would remove potential incentives for developing countries to implement levies themselves,
2. Governance: One option would be for the governance of the mechanism to be limited to coalition governments, which would give members greater control over where resources are spent but may be deemed exclusionary; another option would be for this to be integrated into the existing governance of the institution, which could ensure inclusion and fairness but might be vulnerable to existing governance concerns that hamper the effectiveness of some funds, and would give non-members a say over how resources they have not generated are used.

These two criteria if applied in a more constricted fashion would in effect mean that the coalition would act as an exclusive club, whereby only members pay in and receive funding.

Initial Comparison of Channelling Options:

1. Bilateral Channels: Development agencies or banks.
2. Multilateral Top-Ups: Increasing existing contributions to multilateral development banks (MDBs) or vertical funds.
3. Specific Mechanisms: Creating a window or envelope within existing multilateral institutions.

Colour coding:

- *Green: criteria OK or most likely OK*
- *Yellow: needs to be confirmed, also depending on which institutions should be prioritized*
- *Orange: likely to be complicated*
- *Red: not possible or most likely not possible*

Channels // criteria	Bilateral contributions	Top up of existing multilateral contributions	Specific mechanisms in existing multilateral organisations
Already in place/ easily set up	Yes	Yes	TBC
Allows the rechannelling to priority sectors TBD	Can be more complicated for smaller donor governments or emerging economies without a bilateral aid system	Yes	TBC
Speed of disbursement	TBC - would require a commitment from the 'rechanneling' institution		
Transparency and accountability	Depends on national earmarking	May prove difficult	Yes
Earmarking to coalition of the willing countries	Yes, but would require a shared 'redistribution key' between donors in the coalition to allow for a fair distribution across of the developing countries of the coalition	TBC	TBC
Co-financing of national programmes/ priorities	TBC	Yes	Yes
Leverage (capital markets, matching arrangements, open to non-coalition countries or philanthropy)	TBC, probably limited, especially in the case of smaller donors. Would not allow non-coalition governments to contribute	Depends	TBC
Contributions from beneficiaries' countries	No	Depends	TBC
Governance structure	Yes, limited to the specific coalition government	Wider than coalition members	TBC