

## The Summit for a New Global Financing Pact

### Why in news?

The Summit for a 'New Global Financing Pact' was held in Paris, France to discuss the repercussions of the climate, energy, health and economic crises, particularly in the most vulnerable countries and its financing.

### What is the Pact Summit about?

- **Genesis** - The Summit for a New Global Financing Pact was announced at the 27<sup>th</sup> Conference of Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC).
- The Summit for a New Global Financing Pact is also known as '**Pact Summit**' in short.
- The summit was spearheaded by the French President Emmanuel Macron highlighting the need for a new financial pact with the most vulnerable countries.
- The summit was precipitated as a follow-up to the Bridgetown Initiative tabled by Barbados.
- **Pact Summit** - It is an attempt to collectively rethink the global financial architecture of international solidarity and climate action by proposing concrete solutions to create a fairer, more effective and more responsive global financial system.

**Bridgetown Initiative** - A package of proposals to get more money flowing from developed to developing countries for climate and development.

### What is the need for such summit?

- Poor and vulnerable countries battle '*a cocktail of interconnected crises*' such as poverty, debt, inflation triggered due to the Russia-Ukraine conflict, and increasing climate impacts.
- Countries of Global South are in a debt crisis.
- Developing countries are facing pressure to decarbonise their economies without adequate climate finance flowing in.
- African countries are facing an unprecedented funding squeeze.

*A third of developing countries and two thirds of low-income countries face high risks of excessive debt.*

### What happened at the Summit?

- Several leaders from the developing world, as well as European nations attended the

Summit.

- The Summit took on the monumental task of addressing the lack of money flowing to poor and vulnerable countries.
- **Working Groups** - The Summit convened 4 Working Groups on the following topics prior to the summit:
  1. Ensuring more fiscal space for the most-affected countries.
  2. Financing the private sector in low-income economies.
  3. Increasing investment in green infrastructures in emerging and developing markets.
  4. Developing innovative solutions to provide additional resources in support of countries vulnerable to climate change.
- Some announcements were unveiled at the summit to address the trust erosion issue between the Global North and South.

### What was announced at the summit?

- **Multilateral Development Banks (MDBs)** - A contentious MDB Vision Statement document did not get full consensus.
- An additional lending capacity of \$200 billion would be unlocked by MDBs for emerging economies.
- **World Bank** - It announced *disaster clauses* for debt deals to suspend debt payment in the case of extreme weather events as advocated by Bridgetown Agenda.
- It also unveiled a '**Private Sector Investment Lab**' with the aim to develop and rapidly scale solutions that address the barriers in private sector investments.
- **Special Drawing Rights** - The '*recycling*' of SDRs from rich countries to poor countries or MDBs, has been proposed as means to expand the amount of concessional finance to developing countries.
- **A new JETP** - A new 2.5 billion Euro JETP deal was announced for Senegal, with a consortium of countries comprising of Germany, France, Canada, the EU and the U.K.
- It aims to increase the share of renewable energy in installed capacity to 40% of Senegal's electricity mix by 2030.
- **Polluter taxes** - Many groups supported a tax on shipping emissions accelerating the momentum on polluter taxes.
- **Carbon markets** - The EU unveiled a call to action on '**Paris Aligned Carbon Markets**' with
- It has the goal of covering at least 60% of global emissions with carbon pricing mechanisms (4% now) and allocating a proportion of the revenues to climate finance.

### What are the challenges ahead?

- **Proven solutions** - European leaders to pitched Carbon pricing as a serious suggestion, which is one of the tool in a package of many.
- Developed countries should acknowledge the urgency and scale of financial need and come up with scalable solutions.
- **Responsibility** - There is also a fundamental refusal to own who should be responsible between developed country governments and multilateral institutions.
- **MDBs** - Developed countries focused on MDB reform which will increase the pressure

on MDBs' resources manifold.

- Developed countries want to squeeze more out of existing MDB resources while simultaneously adding on climate as a part of their mandate.
- **Private capital** - The Global North showed an overwhelming emphasis on derisking private capital, shifting the onus of finance to the private sector.
- The private sector money even though can be unlocked, cannot replace long-term development money.
- **Debt** - Debt cancellation, concessional financing and grants, polluter taxes and the consideration that poverty eradication efforts cannot be side lined for climate goals

## References

1. [DTE - What is the Summit for a New Global Financing Pact about?](#)
2. [DTE - Key takeaways from the Summit for a New Global Financing Pact](#)

