Financing for Sustainable Development Report 2024

Inter-agency Task Force on Financing for Development

Financing for Development at a Crossroads

Executive Summary and Key Data Trends

United Nations

Financing for Development at a Crossroads
Executive Summary

Financing challenges are at the heart of the current sustainable development crisis. Yet financing is also key to turning our fortunes around and getting back on track. The Fourth International Conference on Financing for Development next year in Spain provides a unique opportunity to reform financing at all levels to close the gap between aspiration and financing.

Countries are off track on the 2030 Agenda for Sustainable Development, with around half of the 140 Sustainable Development Goal (SDG) targets for which sufficient data is available deviating from the required path. Current projections estimate almost 600 million people will continue to live in extreme poverty in 2030, more than half of them women. Progress is woefully inadequate on climate action, with global greenhouse gas emissions still rising when rapid and deep reductions are needed.

Achieving the economic transitions needed to reach the SDGs will require investments at unprecedented scale. Unmet financing needs for SDGs and climate action are estimated to be in the trillions of dollars annually. Yet, the costs of inaction, both economic and social, would be far higher still. Financing needs are particularly acute in many developing countries which face higher costs of capital and significantly worse terms of access to financing. Due to misaligned incentives, both public and private actors still invest in brown activities and have not yet fully aligned their decision-making and financing with the SDGs.

While there has been real progress across the financing agenda since the adoption of the Monterrey Consensus on Financing for Development in 2002, financing for development has not kept pace with rising needs amid a changing and less benign global environment. Systemic risks, especially climate and disaster-related risks, have risen dramatically. There has been a sea-change in global macroeconomic and macro-financial conditions, with GDP growth rates in developing countries falling to just over 4 per cent annually on average between 2021 and 2025, after averaging around 6 per cent before the 2009 global financial crisis. Income, wealth, gender and other forms of inequality, which are often perpetuated by financing policies, have become entrenched. Enormous technological change, digitalization in particular, is affecting all financing areas. And there are growing risks of fragmentation in the global economy. While some of these trends have created opportunities for development and financing progress, in their totality, they have put national financing frameworks and the international financial architecture under severe stress.

Today, many countries are faced with tight fiscal constraints and high risks of debt distress, with the median debt service burden for LDCs rising from 3.1 per cent of revenue in 2010 to 12 per cent in 2023 – the highest level since 2000. Four in 10 of the global population live in countries where governments spend more on interest payments than on education or health. Private sector development, a key driver of sustainable growth and development, has stalled in recent years as investment growth, trade, and technology diffusion slowed. Structural changes pose new challenges for countries' productive integration into the world economy, necessitating a search for new growth and development strategies. And while financial inclusion is a bright spot, financial and capital markets remain underdeveloped in many developing countries, with financial volatility contributing to the dearth of long-term investment.

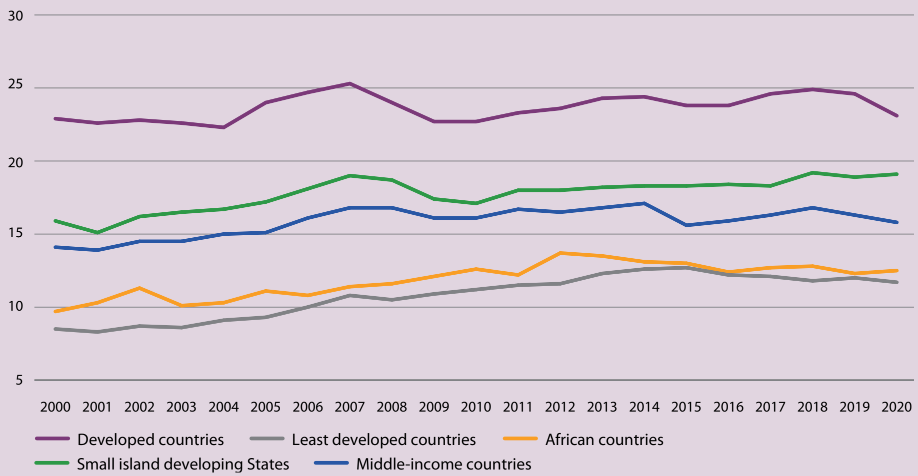
The window to rescue the SDGs and prevent a climate catastrophe is still open but closing rapidly. United Nations Member States have given the Fourth International Conference on Financing for Development (FfD4), to be held in Spain from 30 June to 3 July 2025, an ambitious mandate to address financing challenges "in the context of the urgent need to accelerate the implementation of the 2030 Agenda and the achievement of the SDGs and to support reform of the international financial architecture."

This 2024 *Financing for Sustainable Development Report* is designed to enable a productive and substantive preparatory process for this Conference. To that end, the Task Force highlights four sets of overarching questions that warrant Member States' attention:

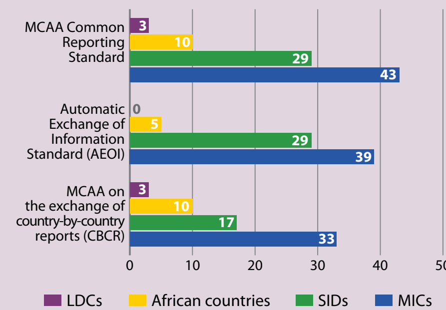
- **How can FfD 4 help close large financing and investment gaps, at scale and with urgency, and enhance spending effectiveness?** What is the package of reforms that can help deliver the rapid scaling up of public and private investments in the SDGs, and containing actions across tax, private investment and blended finance, concessional financing and development bank reform, and innovative financing instruments? How can the Conference help governments do more on domestic resource mobilization and optimizing spending through growth- and revenue-enhancing reforms, to better allocate scarce resources while prioritizing the SDGs?
- **How can FfD 4 help address issues in the international financial architecture and support international rules for trade, investment and finance that are fit for today's challenges?** Which international financial architecture reforms could enhance countries' resilience in a more crisis-prone world and enable access to financing on the right terms and conditions? How can the international community fully align trade, investment and technology agreements and rules with sustainable development?
- **How can FfD 4 close credibility gaps and rebuild trust in global partnership and multilateralism?** How can public and private actors reconcile misalignment between rhetoric and action and renew momentum for finally meeting long-standing commitments on concessional financing, global governance reform, and fully aligning domestic and international policy frameworks and investment allocations with commitments to the SDGs?
- **How can FfD 4 help formulate and finance new development pathways to deliver on the SDGs and ensure no one is left behind?** How can the ongoing rethinking of economic development paradigms, not least the relationship between states and markets in achieving sustainable transformations, inform new national and international financing policy frameworks for sustainable development?

Domestic public resources ***in numbers***

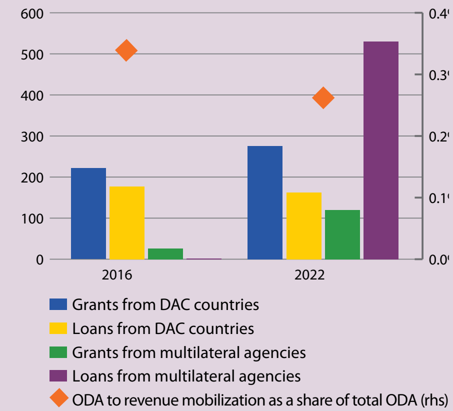
Developing countries achieved notable increases in tax revenue in the first decade of the century, but have seen stagnation and setbacks by crises.



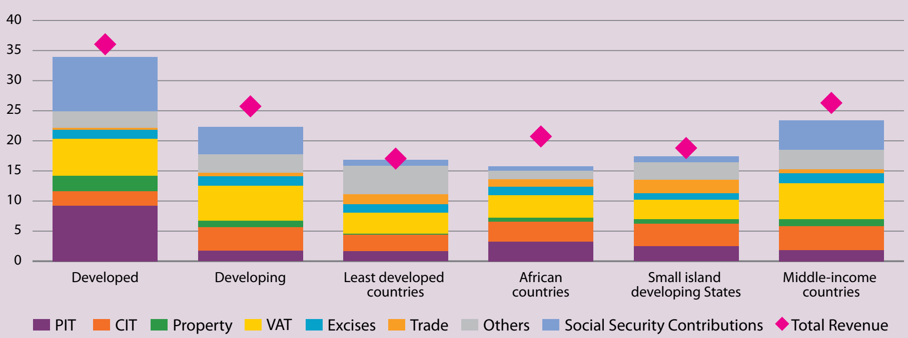
Only three LDCs have signed on to important tax information exchange agreements, and none of them are yet automatically receiving information on financial accounts.



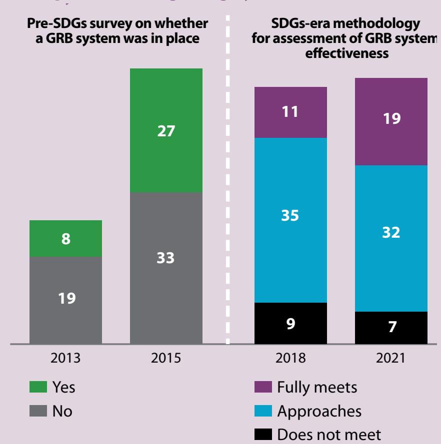
Disbursements of ODA for domestic revenue mobilization fell short of donor targets to double by 2020 but hit $437 million in 2022.



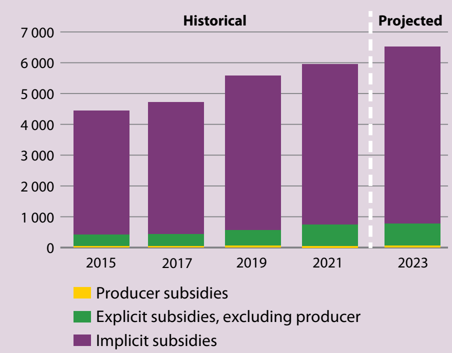
Developing countries are more dependent on consumption taxes and corporate income taxes, accounting for 5.8% of GDP and 3.9% of GDP, respectively.



Globally, only one in four countries currently has a comprehensive gender responsive budgeting system.

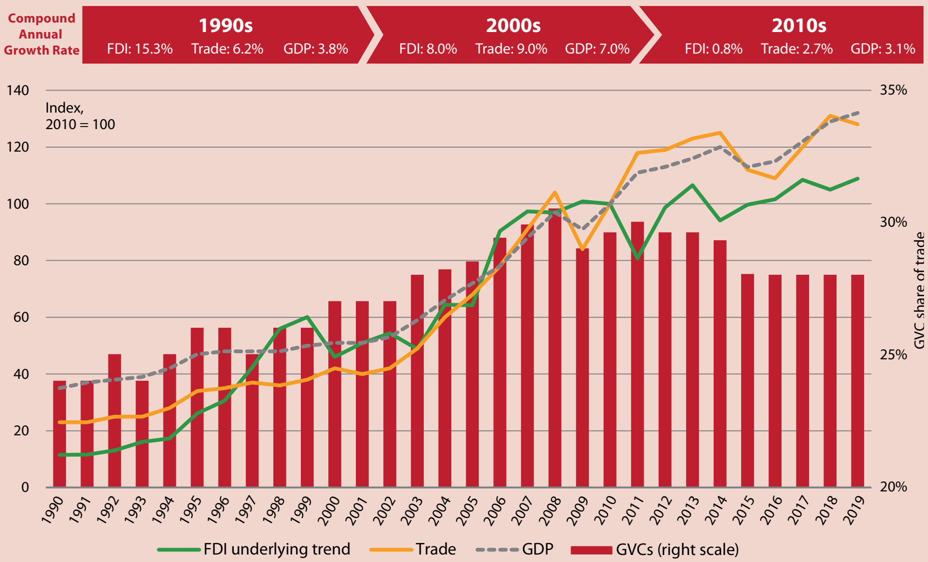


Estimated global fossil fuel subsidies were $7 trillion in 2022, including $1.3 trillion in explicit subsidies.

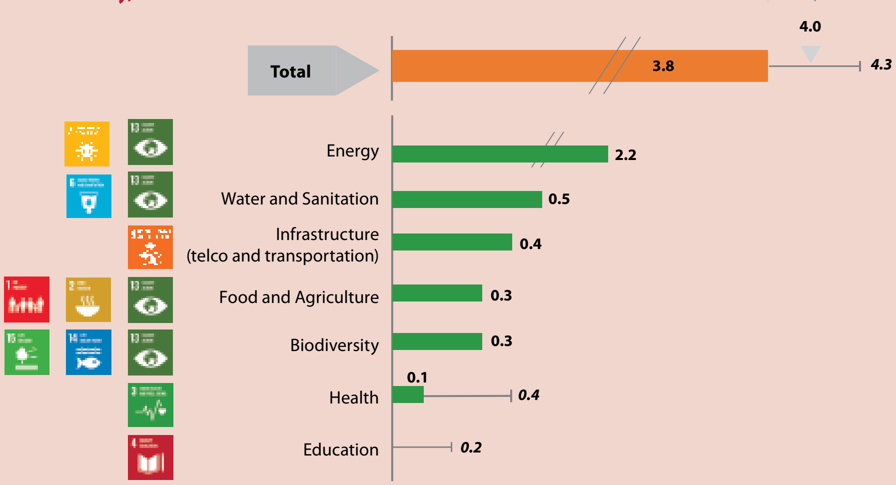


Domestic and international private business and finance ***in numbers***

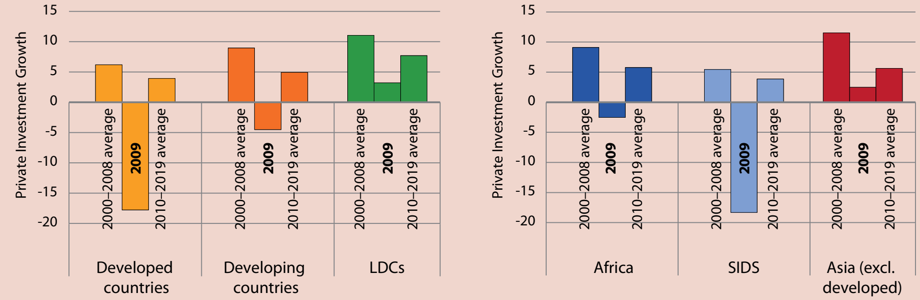
FDI growth slowed significantly after the 2008 world financial and economic crisis, in line with the broader deceleration of global economic growth and trade.



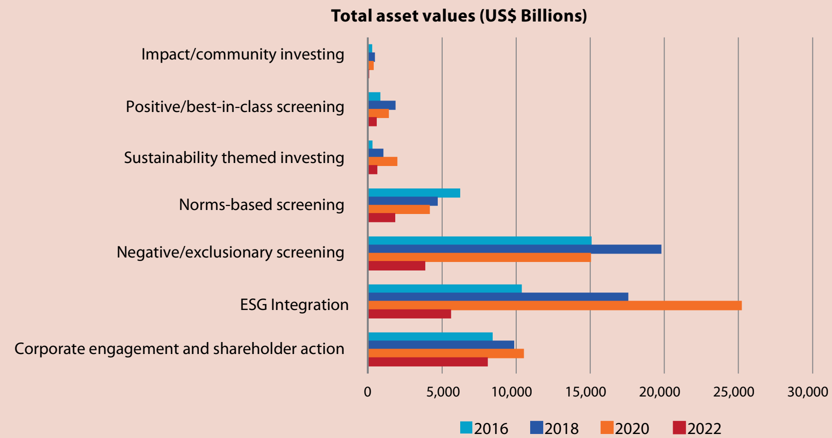
Annual investment gaps across all SDG sectors increased from $2.5 trillion in 2015 to more than $4 trillion today, due to underinvestment and additional needs.



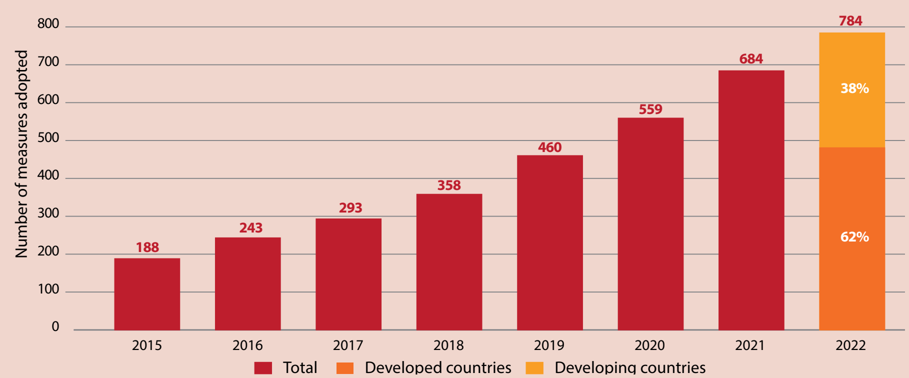
The private sector is at the heart of sustainable growth and development, but its dynamism slowed after the 2008/09 crisis.



Investments in sustainable assets have surged over the past three decades but remain limited in scale and primarily tied to risk mitigation, with impact investing seeing relatively lower adoption rates despite growing interest.

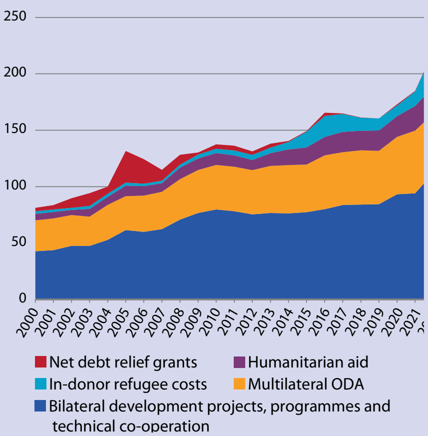


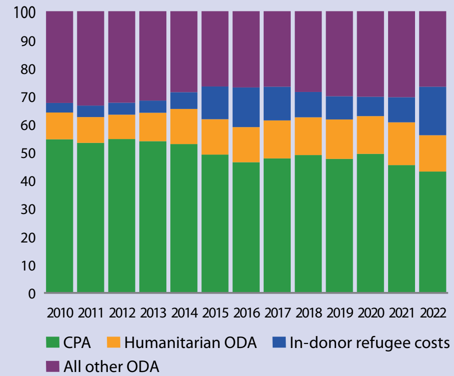
Sustainable finance legislation is increasingly being adopted at the regional and national levels, with a greater number of measures in developed countries.



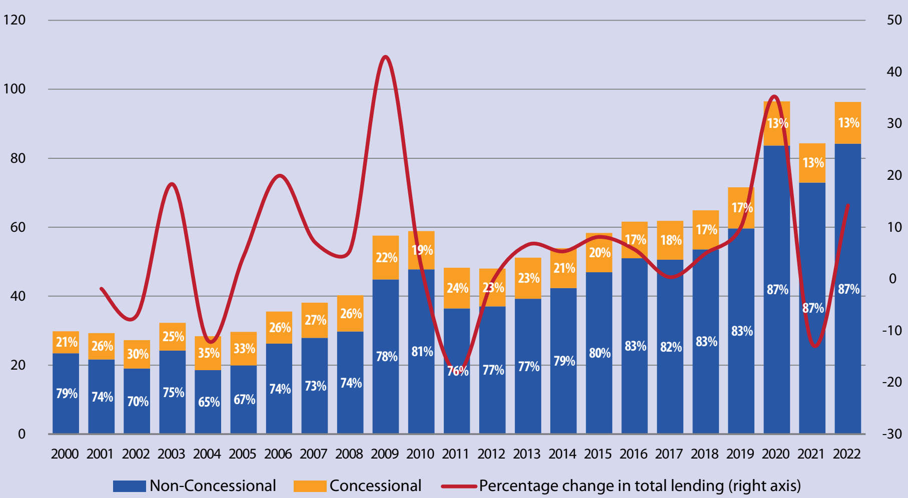
International development cooperation ***in numbers***

ODA has risen to record highs in recent years, but still falls short of commitments and is under pressure to respond to growing crisis response needs.

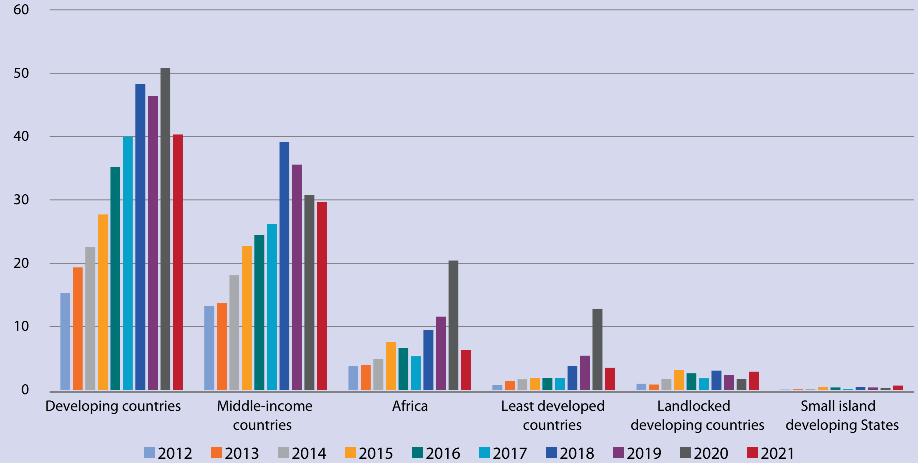




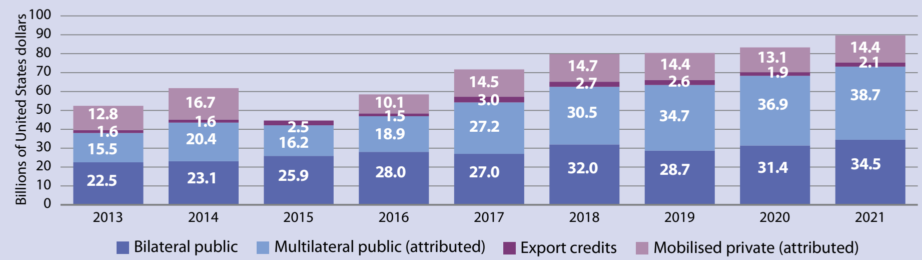
MDBs have significantly expanded their lending over the last 20 years; scaling up their resources is critical to meet heightened demands.



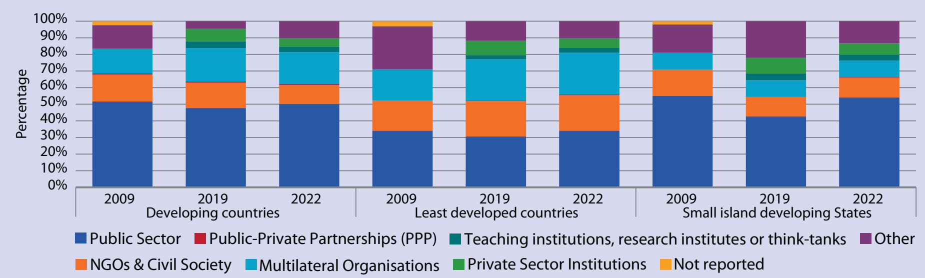
While blended finance has grown over the last decade, amounts mobilized remain far below expectations.



Mobilization of climate finance falls short of what is needed to effectively address the scale of climate challenges and remains grossly inadequate for the most vulnerable countries.

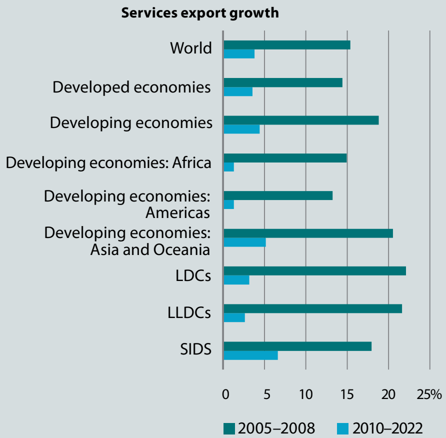


Global progress in improving quality, impact and effectiveness of development cooperation has been mixed, with less than half of ODA channelled through the public sector of recipient countries.

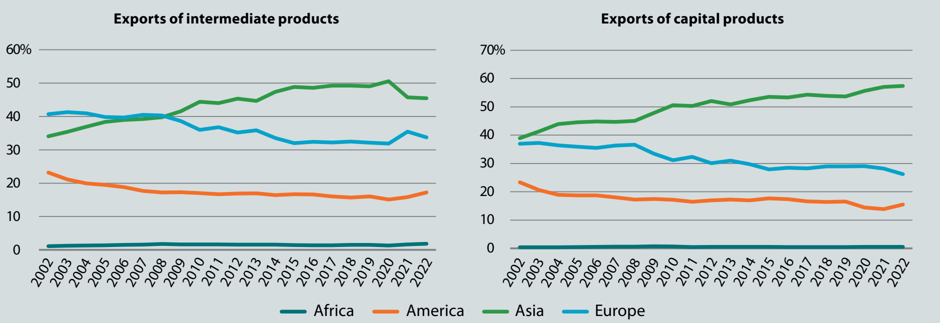


International trade as an engine for development ***in numbers***

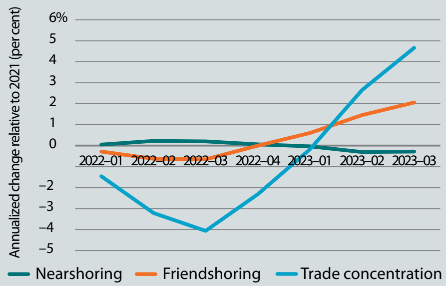
In the past two decades, international trade has acted as an engine for development for many developing countries, but trade dynamism has weakened and trade openness declined.



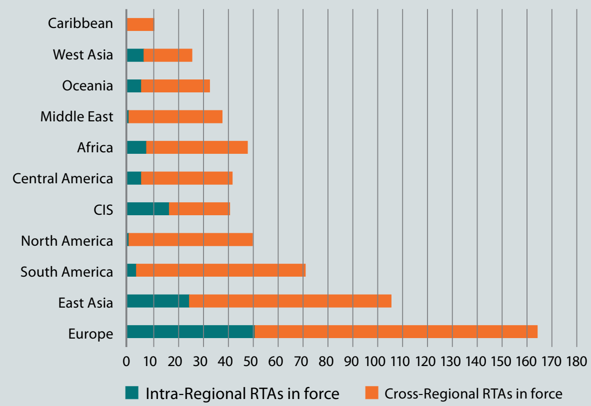
Trade growth, driven by global value chains, has been very uneven, with some developing countries, particularly in Asia, seeing rapid trade growth while many vulnerable countries remained largely marginalized.



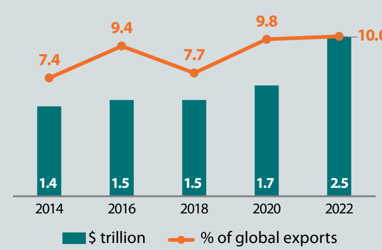
Trade growth deceleration has been in part driven by the shift towards de-risking supply chains, including through "friendshoring" and "nearshoring".



In the absence of a comprehensive multilateral agreement on certain trade issues, countries turned to bilateral and regional trade agreements and in some cases plurilateral negotiations, resulting in a complex web of overlapping arrangements.



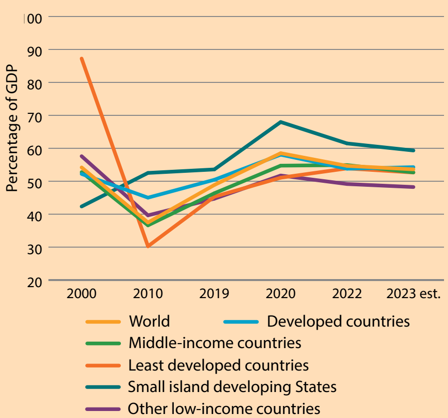
Trade finance plays a crucial role in facilitating international trade, but the global trade financing gap has increased sharply in recent years.



*Debt and debt sustainability **in numbers***

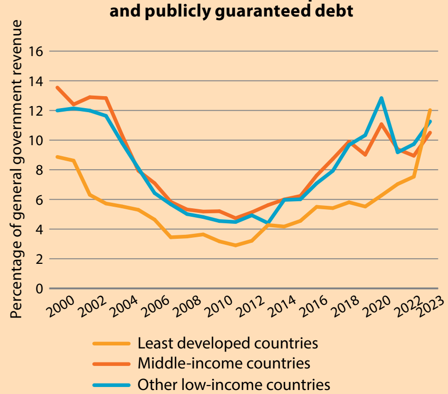
After a sharp rise in public debt during the pandemic and a steady increase in the preceding decade, public debt levels have stabilized.

General government debt trends, median

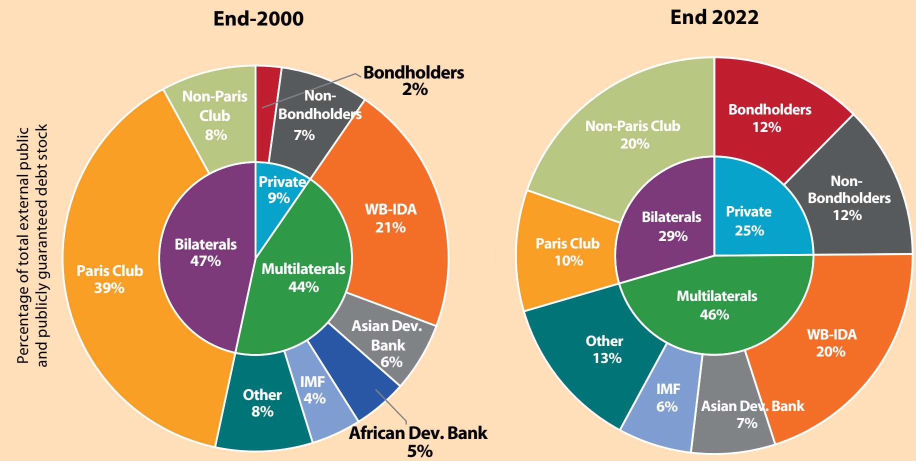


High levels of debt have translated into high debt service burdens, now reaching levels last seen in the early 2000s.

Debt service on external public and publicly guaranteed debt

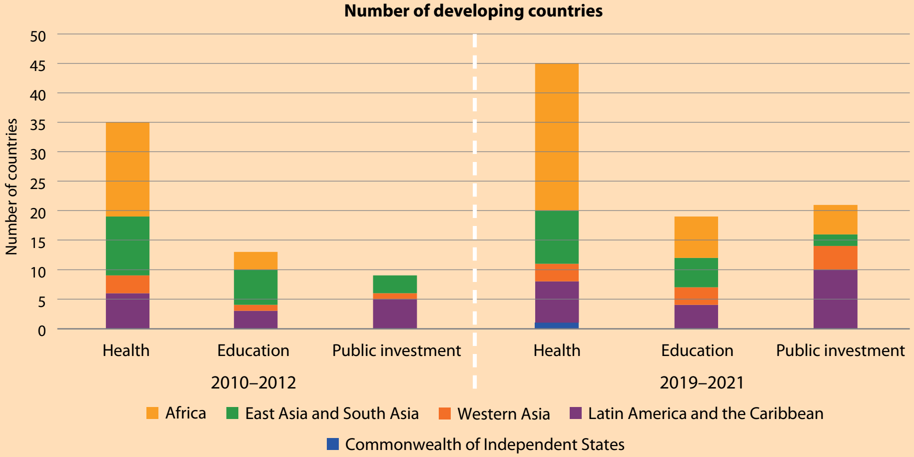


Rising debt service burdens are in part due to changing debt composition: for LDCs and LICs, the shares in external public debt held by commercial creditors and non-Paris Club official creditors more than doubled between 2000 and 2022.



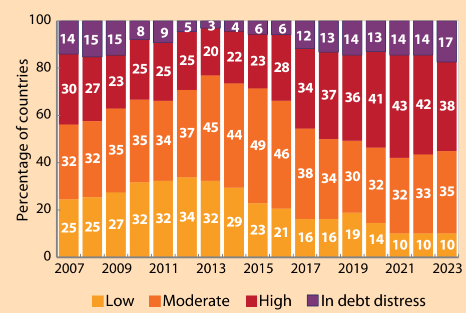
Over the last decade, an increasing number of developing countries spend more on servicing public debt than on health, education and public investment.

Number of developing countries



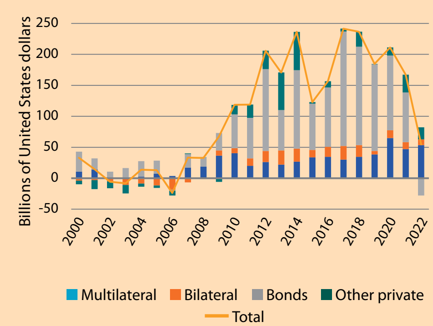
Fifty-five per cent of LDCs and other LICs are at high risk of or in external debt distress, higher than the levels in any year from 2007 to 2019.

External debt distress ratings



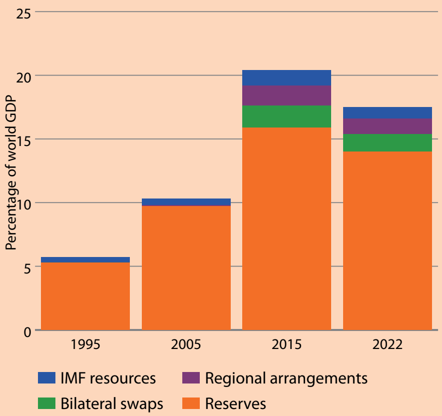
Amid tight global financing conditions since 2022, only debt financing from multilateral institutions prevented a drying up of net debt inflows to developing countries.

Net external public sector debt flows

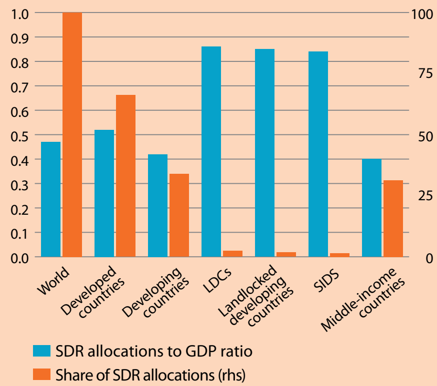


Addressing systemic issues *in numbers*

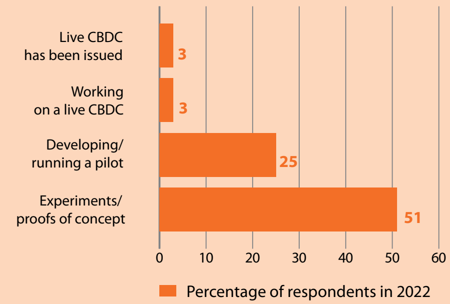
The global financial safety net has grown to over 17.6% of world GDP, but recent crises have revealed gaps in the architecture and uneven coverage



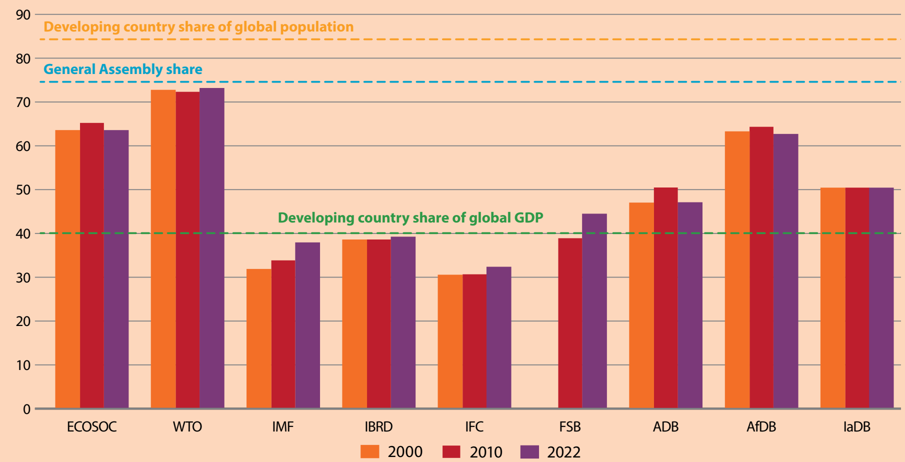
Developing countries received around one-third of the $650 billion 2021 allocation of special drawing rights, which represented 0.42 per cent of their GDP.



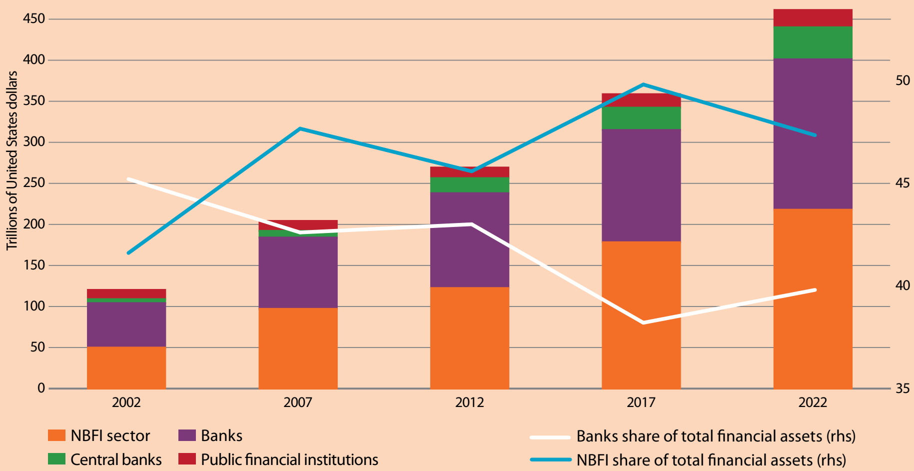
93 per cent of central banks were engaged in some form of central bank digital currencies work, and almost a quarter of central banks are piloting a retail CBDC.



Developing countries' representation has not significantly changed in many international financial institutions, regional development banks and standard-setting bodies.



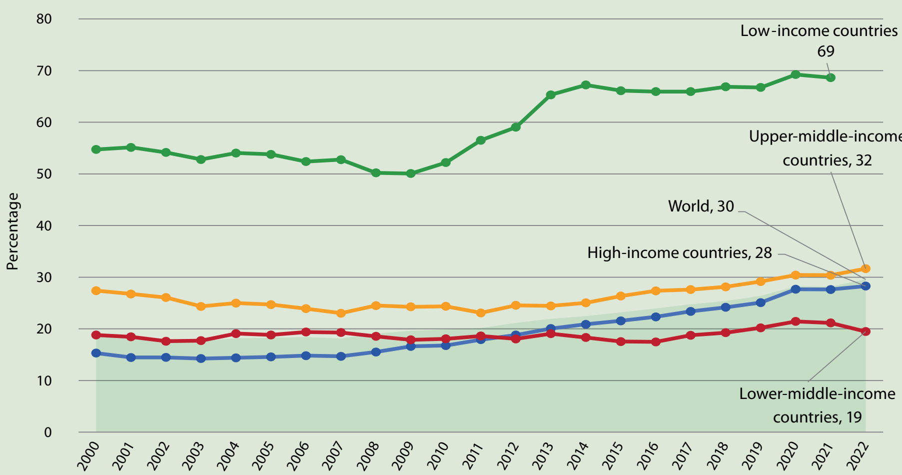
Non-bank financial intermediation, also known as shadow banking, has grown to almost $218 trillion, almost half of global financial assets.



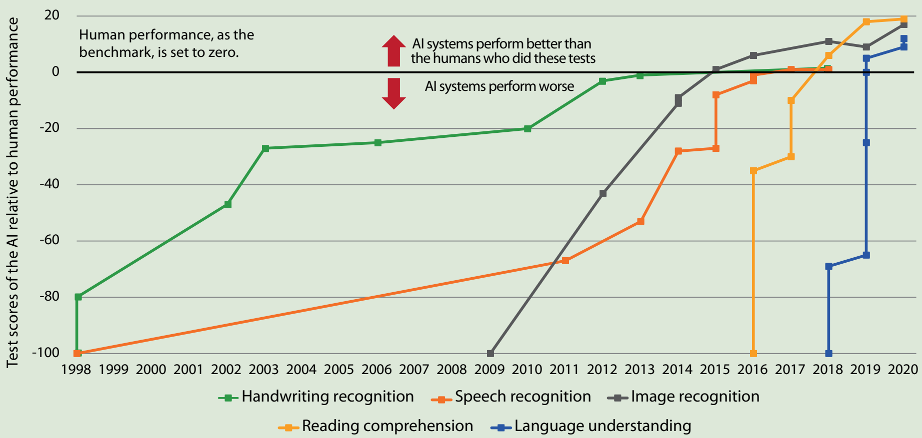
Science, technology, innovation and capacity building **in numbers**

Technological advances have made significant contributions to the SDGs, including increasing renewable energy's share in electricity production.

Share of electricity production from renewable sources

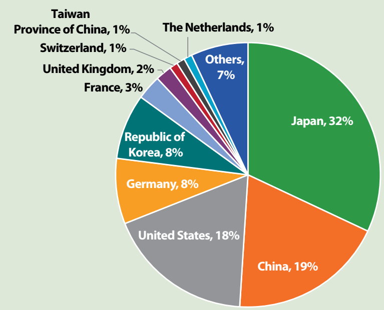


Over the past two decades, there has been a rapid advancement in the global technological frontier, illustrated by the development of artificial intelligence.



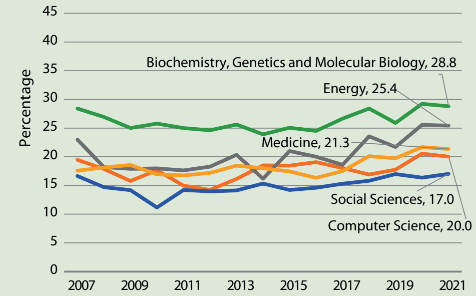
Innovation remains highly concentrated, exemplified by the green technology sector where industrial firms from just seven countries account for 90 per cent of all patenting activities.

Green patenting of industrial firms, 2022



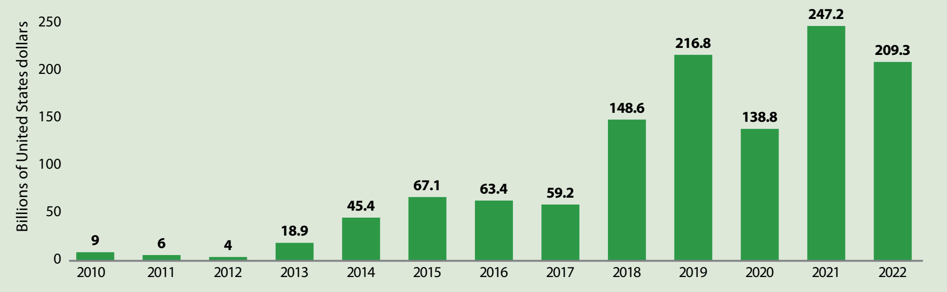
Many developing countries have experienced limited progress in international scientific cooperation, affecting technology diffusion.

Share of scientific publications in middle-income countries involving international collaboration, median

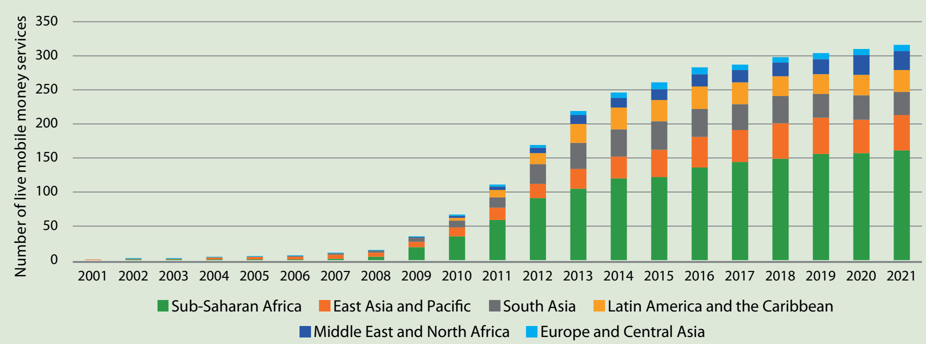


From 2010 to 2022, global fintech investment increased 23-fold, with technological innovations boosting financial inclusion but also presenting new challenges.

Global fintech investment



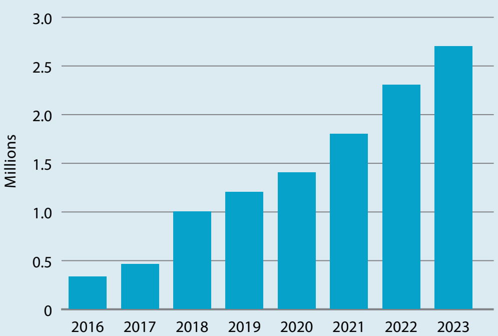
Globally, the number of mobile money service increased from 1 in 2001 to 316 in 2021, strongly driven by developments in sub-Saharan Africa.



Data, monitoring and follow-up ***in numbers***

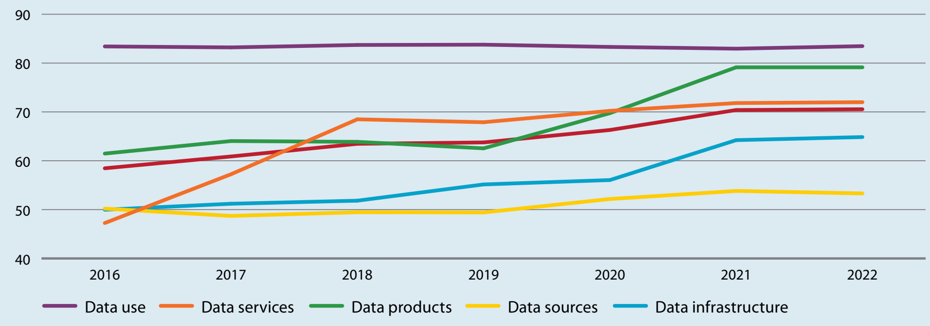
The SDG indicator framework contains rich information on sustainable development progress beyond the information provided by GDP figures; it is populated with 2.7 million data records.

Number of SDG indicator data records, 2016–2023



Countries have made significant strides in improving their national statistical systems: global average statistical performance score has crossed 70 out of 100.

Global average scores for statistical performance, 2016–2022

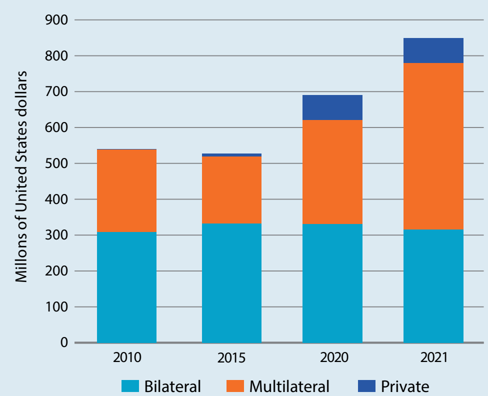


Investment in data pays off: there is an average return of $32 for every $1 invested in strengthening data systems in developing countries.

Overall gender data is lagging behind, but it has improved. 51 per cent of country data on gender-specific SDG indicators is now available.

There have been increased investments in data, and total external funding disbursed for data and statistics in 2021 reached nearly $850 million.

External funding for data and statistics, by donor type



About the Inter-agency Task Force on Financing for Development

The Inter-agency Task Force is made up of more than 60 United Nations agencies, programmes and offices, the regional economic commissions and other relevant international institutions. The report draws on their combined expertise, analysis and data. The major institutional stakeholders of the financing for development process—the World Bank Group, the International Monetary Fund, the World Trade Organization, the United Nations Conference on Trade and Development and the United Nations Development Programme—play a central role, jointly with the Financing for Sustainable Development Office of the United Nations Department of Economic and Social Affairs, which also serves as the coordinator of the Inter-agency Task Force and substantive editor of the report.

About the 2024 Financing for Sustainable Development Report

The *2024 Financing for Sustainable Development Report of the Inter-agency Task Force: Financing for Development at a Crossroads* analyses progress in development financing over the last two decades, and puts forward key questions and challenges that Member States may wish to address at the Fourth International Conference on Financing for Development in Spain in June 2025. All five major institutional stakeholders and UN DESA also share their respective institutional perspectives and expectations for the Conference.

The full report is available from: https://financing.desa.un.org/iatf/report/financing-sustainable-development-report-2024

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