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Almost a quarter century has passed since the landmark Monterrey Consensus, which sought to create a conducive global environment for financing development and achieving development goals. The first decade of this century saw notable development gains. While largely ad hoc, multilateral efforts also led to key debt relief initiatives. Additionally, these efforts led to increases in Official Development Assistance (ODA), underscoring its critical role in supporting development efforts.

However, by the time of the Doha Declaration, the optimistic tone of the Monterrey era had been overshadowed by the 2008 global financial crisis, which revealed the vulnerabilities of the international financial system, fueled by global imbalances. The Doha Declaration thus reiterated the importance of global cooperation but with a heightened emphasis on the need to address systemic issues in international finance and trade.

Fast forward to 2015, member States adopted the Addis Ababa Action Agenda (AAAA), which serves as a comprehensive framework to address the challenge of financing and create an enabling environment for the implementation of the 2030 Agenda for Sustainable Development, adopted later that same year.

However, as we stand at the halfway mark, the SDGs are alarmingly off track. Only 17% of the goals are currently on target to be met by 2030, while another 17% have regressed from their 2015 baseline. This stark reality is underpinned by a growing financial gap, exacerbated by an international environment that has become increasingly inhospitable to development. With each crisis characterizing the period the need for multilateralism and international financial reform that more adequately addresses the nature of global exogenous shocks has become increasingly apparent. In 2015, the financing gap for the SDGs in the Global South was estimated at $2.5 trillion. Today, that gap has ballooned to $4 trillion, underscoring the urgent need for a reinvigorated global commitment to sustainable development.

The Summit of the Future signaled willingness to change course and revive multilateralism. Building on the momentum of the Summit of the Future, the Fourth International Conference on Financing for Development (FFD4) in June 2025 presents a crucial opportunity to take concrete actions and breathe new life into the financing for development agenda.

In line with the spirit of Monterrey, Doha and Addis Ababa, FFD4 should not only durably address the challenge of financing but also create a virtuous cycle by helping countries unleash growth, create jobs, and build resilient and sustainable economies. At the core of this agenda, trade, technological change and investment have been and remain key drivers of sustainable development, enabled by multilateralism and international cooperation.

A change of paradigm is needed

The Financing for Development vision of what constitutes a conducive international environment must now be adapted to meet the demands of today's increasingly complex global landscape. The challenges we face—effects of climate change, unsustainable debt levels, high cost of capital, return to industrial policy and protectionism in developed countries, the need to achieve dual climate and digital transitions, growing inequalities and persistent conflicts—are not just isolated issues to be addressed, they are symptoms of a deeper systemic imbalance.

To bring the world back onto a sustainable development path, it is essential to move away from ad hoc solutions that treat the symptoms rather than the root causes of vulnerability. It is not only necessary to reignite growth and sustainable development—but this must be done urgently and swiftly, given the severity of the challenges facing humanity today. This must mean addressing longstanding obstacles to development, including lack of effective market access, insufficient development aid and investment, and the need for more development and climate finance.

Effectively harnessing new opportunities can help us to capitalize on synergies[i] between various development objectives, such as broadening access to emerging technologies, expanding the use of renewable energy, and achieving transformative development results.

Traditional approaches to development are no longer adequate, as proven by the lack of progress on the SDGs. The "invisible hand" of the market, on its own, has failed to deliver development outcomes, calling for a shift to a "big push" investment strategy with multilateral development banks (MDBs) at the center, coupled with action to revive traditional enablers of growth and acceleration of global economic governance reform.

A new paradigm to deliver on the Financing for Development agenda

Delivering on the Financing for Development agenda thus requires action in two dimensions: the financial dimension and the conducive environment dimension. The actions in these two dimensions need to be pursued simultaneously to be effective.

Actions in the financial dimension are urgently needed to unshackle development from unsustainable debt; and to mobilize sufficient, long-term, affordable finance to support the global goals and to crowd-in private finance. In this respect, a strengthened voice and participation of developing countries in the international financial architecture is a fundamental action in the financial dimension. Enhancing tax cooperation and curbing illicit financial flows are also needed to boost fiscal revenue and enhance fiscal space.

Rebuilding the conducive environment means reigniting the traditional enablers of growth, such as international trade, investment and technology transfer, and of technology transfer. Investing in infrastructure, institutions and human capital at the national and regional level is a

necessary pre-condition to ignite the enablers. Beyond reform of the international financial architecture, governance reform at the level of the multilateral trading system, of the international investment agreement framework and on intellectual property, are also indispensable to ensure the desired development results.

Integrated and mutually reinforcing actions

Actions on both dimensions of finance and the conducive environment are mutually reinforcing and should be addressed simultaneously. Dealing with unsustainable debt and securing long-term- financing is not an end in itself. It is a means towards structural transformation in developing countries, to enable their equitable participation in the global economy and ensure their long-term sustainable development.

Scaled development finance channeled towards critical infrastructure and human capital is essential. Such investments will build the productive capacities of developing countries, boosting growth, attracting private investment and enhancing fiscal space. Ultimately, growth and better fiscal space will enhance debt sustainability and domestic resource mobilization, potentially generating a virtuous cycle.

To summarize, six sets of actions fall under two dimensions:

A. Financial dimension

1. Unshackling development from unsustainable debt
2. Mobilizing sufficient, long-term, affordable finance to support global goals and to crowd-in private finance
3. Accelerating reform of the international financial architecture to strengthen the voice and representation of developing countries
4. Enhancing Tax cooperation and curbing illicit financial flows

B. Conducive environment dimension

5. Investing in infrastructure, institutions and human capital at the national and regional level
6. Leveling the playing field: on trade, investment and technology transfer and intellectual property

A. Financial dimension

1. Unshackling development from unsustainable debt

Unsustainable debt restricts SDG investment and the ability of developing countries to mobilize finance. At the onset of the FFD4, there is a need to unshackle development from unsustainable debt. This entails resolving the looming debt crisis and agreeing on a comprehensive long-term solution to dealing with unsustainable debt.

External debt in developing countries has almost doubled over the past decade, reaching US$11.4 trillion. In 2023 alone, these nations paid $847 billion in net interest—a 26% increase from 2021.[ii] This rise in debt servicing costs has led 54 developing countries, nearly half of which are in Africa, to allocate at least 10% of government funds to debt interest payments, diverting resources away from critical public services such as education and healthcare.[iii]

There is no global mechanism that deals with debt related issues in a comprehensive, timely, fair and orderly manner. Sovereign external debt distress in developing countries has historically been addressed through inefficient ad hoc mechanisms, relying on voluntary negotiations between debtor nations and foreign creditors. The G20 Common Framework has been the primary multilateral approach to addressing developing countries' debt challenges after the COVID-19 pandemic, but it has proven ineffective in providing timely, meaningful and stigma-free relief to all developing countries.

Many developing countries, fearing the consequences of default, are prioritizing servicing external debt and, therefore, avoiding sovereign default at the cost of achieving sustainable development and addressing the climate crisis. Besides having to deal with the associated stigma, they are deterred from embarking on a process of debt restructuring because an appropriate mechanism is either not available (for middle-income countries) or is slow, cumbersome and costly (for countries eligible to the Common Framework).

Parallel approaches to this problem are required: steps must be taken to fix the most significant flaws in the Common Framework, but work to develop a stable, permanent and universally available institutional framework to deal with sovereign debt must commence urgently. The latter entails creating a multilateral sovereign debt workout mechanism and establishing a global debt authority to oversee this mechanism.

The first step is creating a multilateral sovereign debt workout mechanism aligned with development goals and priorities to provide a durable solution for debt crises. It must address a major fault line in the global debt architecture: sovereigns are treated as commercial entities in international finance but lack the legal protections of corporate bankruptcy. Previous Financing for Development outcomes called for such a mechanism to ensure fair burden-sharing, just treatment of creditors and debtors and timely, orderly, fair and effective debt restructurings for all developing countries at the brink of, or in, debt distress.

The next step is to establish a global debt authority to oversee the multilateral sovereign debt workout mechanism and promote or implement other substantive changes of a statutory and

contractual nature in sovereign debt management. This includes development-focused debt sustainability analysis, a borrowers' club, the regulation of capital flows, innovative financial instruments, and legally binding clauses - such as state-contingent/force majeure clauses, collective action clauses - to prevent debt crises and ensure resilience as well as orderly debt restructuring with no holdout creditors.

This authority could also support countries in strengthening international and domestic legislation to reflect guiding principles for effective, timely, orderly and fair resolution of sovereign debt crises, as the AAAA called for. Similar proposals have included a multilateral legal framework, in line with UN General Assembly Resolution 68/304 which remains critical for establishing formal and binding additions to the global debt architecture.

2. Mobilizing sufficient, long-term, affordable finance to support global goals and crowd-in private finance

In the AAAA, private international capital flows are considered vital complements to national development efforts. In practice, such flows have been a driving force of a net resource transfer from the Global South to the Global North, as the global environment has become increasingly hostile to development.

MDBs have fulfilled a significant role in stabilizing financial flows in such a hostile environment. For instance, through the provision of US$51.5 billion in multilateral flows during the Covid-19 pandemic[iv]. However, despite these efforts, total net transfers to developing countries turned negative for the first time in over a decade in 2022, estimated at US$25 billion. It follows that the support from MDB was insufficient to offset the US$67 billion in negative net transfers from private creditors in 2022.

As a result of low growth and evaporating private lending, developing countries have become predominantly reliant on MDB financing, which provided a lifeline in the successive crises in the wake of the Covid-19 pandemic. As important as it is, MDB financing is currently nowhere near enough in restoring long-term development efforts or offsetting the reversals in global capital flows.

Moreover, **MDBs have an important role as catalysts to crowd-in private finance and reduce the high cost of capital**. The experience since Monterrey points to the fact development finance and domestic resources mobilization are not independent variables but are driven by coherent policies supported by multilateral lending.

In the current environment, developing countries need MDBs more than ever, yet MDBs have struggled to maintain their lending capacity, with the World Bank's budget relative to global GDP now only a fifth of what it was in the 1960s. As private sector debt has grown to 33.2% of public and publicly guaranteed (PPG) debt, the cost of borrowing has increased, with MDBs offering the lowest average lending rates of 1.5% in 2022, compared to 2.5% from bilateral creditors and 4.2% from private creditors.[v]

To address this gap and adapt MDBs to the sustainable development agenda, there is a need to boost MDBs lending capacity, while preserving their robust credit ratings and addressing pro-cyclicality in their lending terms. Recent G20 efforts on the Capital Adequacy Framework

(CAF) have unlocked an estimated US$215 billion in lending headroom across reporting MDBs, which could increase to US$300-400 billion over the next decade. Additionally, a more flexible approach to MDBs' credit ratings could allow some MDBs to nearly double their lending capacity. Further measures such as rechanneling Special Drawing Rights (SDRs) and allowing MDBs to acquire hybrid capital instruments have the potential to leverage additional financing for developing countries.

Concessional lending (currently at 0% interest rate) through the Poverty Reduction and Growth Trust (PGRT) to eligible low-income countries, currently constitutes only 8% of total IMF commitments.[vi] To date, the amount received by developing countries through the Resilience and Sustainability Trust as of July 2024 was US$2.8 billion, less than 3% of the total commitments of US$108.7 billion.[vii]

Furthermore, rather than framing public and private financing as opposing forces, it would be important to focus on their complementarity. The "invisible hand" alone cannot deliver development outcomes—hence the need for a proactive "visible hand" in the form of a coordinated approach at various levels, which should be central to FFD4 discussions.

This "visible hand" entails making MDBs not only bigger and better coordinated, but also more effective catalysts for change in support of national efforts.

The high cost of capital and perceived risk in developing countries are significant barriers to attracting sustainable investment and for public resources to crowd-in private investment. MDBs can serve as catalysts by crowding in international capital by de-risk investments—an approach estimated to reduce the cost of capital by up to 40%. MDBs play a crucial role in addressing investment challenges and closing the SDG investment gap by providing risk mitigation, critical financing, and leveraging additional resources through blended finance, particularly in sectors like renewable energy, digital technologies, infrastructure, and healthcare.

Current support structures are inadequate to meet these needs comprehensively. To enhance investment flows, a robust de-risking support framework should be established, incorporating financial instruments such as guarantees and insurance. The framework should be complemented by a multi-donor technical assistance facility aimed at improving the capacity of Public-Private Partnership (PPP) units in developing countries. Such support will help in structuring and managing PPPs more effectively, addressing the investment challenges faced by developing countries and LDCs.

Furthermore, MDBs could work more effectively as a system at the country, regional, and global levels by leveraging the expertise of each organization to better tailor investment packages to specific country contexts. To maximize development impact, it is essential to strengthen MDBs' results frameworks, promote complementarity and consistency, and foster greater coordination and cooperation, ultimately improving the scope for collaboration and delivering meaningful development outcomes.

Building a Global Financial Safety Net. MDBs play a pivotal role by providing counter-cyclical financing that helps countries sustain essential services and protect vulnerable populations when private capital is limited or unavailable.

During the COVID-19 pandemic, MDB financing expanded significantly to address urgent global needs. Emergency facilities such as the World Bank's Crisis Response Window (CRW) for IDA eligible countries, and the IMF's Rapid Credit Facility (RCF) for low-income countries and Rapid Financing Instrument (RFI) for middle-income countries, were particularly sought-after. These facilities were in high demand because they provided immediate financial assistance without requiring members to have a full-fledged program in place, and thus had limited or no conditionality attached.

However, as the global economy recovers, MDB lending levels are gradually reverting to pre-pandemic norms. To ensure global financial stability and continue supporting countries facing systemic challenges, there is a pressing need to enhance the availability of these counter-cyclical resources.

With the 2021 SDR allocation of $650 billion, the international community was reminded of the role, value, and potential of the SDR system. By revisiting and operationalizing the original provisions of the SDR system to more seamlessly respond to shocks, there is an opportunity to better support countries and provide a robust safety net to mitigate the impact of unforeseen global challenges.

In addition to lending capacity, it would be important to also expand access to MDB loans, by adopting new eligibility criteria that go beyond GDP, and could benefit a wider range of developing countries, specifically middle-income countries. Ultimately, the attainment of the SDGs and a durable solution to the challenges of financing for development require the provision of ultra-long term affordable lending available to all developing countries that can only be achieved through the MDBs.

3. Accelerating reform of the international financial architecture to strengthen the voice and representation of developing countries

The governance structure of MDBs, including the IMF and the World Bank, requires urgent reform to better reflect the economic realities of the 21st century and ensure more equitable representation for developing countries. Currently, decision-making power within these institutions is heavily skewed towards advanced economies, which limits the influence of developing nations despite their growing economic and demographic significance.

To address this imbalance, it is crucial to expand the seats and voting power of developing countries, particularly within the IMF's Executive Board and the World Bank's Board of Directors. At their foundation, the boards of the IMF and the World Bank had 12 seats for a total of 44 countries. Today, each board has 25 seats for 190 countries. If the original proportion were maintained, these bodies would now have 52 seats – double their current size. The establishment of a third African chair at the IMF Executive Board is an important step in the right direction; however, much more needs to be done to ensure developing countries have a meaningful voice in decision-making processes.

As an example, the current quota system within the IMF falls short of addressing the needs of developing countries, leading to disparities in access to resources and decision-making power. While IMF concluded the 16th General Review of Quotas and approved an increase of IMF members quotas by 50%, the quota formula which determines members share in a general

allocation of SDRs or their ability to access financing needs to be reformed. Re-envisioning and rescaling of the formula components can increase the share of financing available to developing countries.

For example, all 26 low-income countries (with a total population of 722 million) hold fewer quotas combined than the United Kingdom (with its population of 68 million).[1] This creates limitations for low- and middle-income countries' access to IMF resources during SDR allocations. The quota formula emphasis on Openness and Reserves redundantly privileges countries with larger quotas, while the lack of attention to such issues as exposure or vulnerability fails to capture the position of IMF members in the global economy as the IMF's quota formula aims to do.

4. Enhancing tax cooperation and curbing illicit financial flows

In addition to MDB lending, enhanced tax cooperation and efforts to curb illicit financial flows (IFFs) can boost fiscal revenue and expand fiscal space. Developing nations must be able to capture tax revenues from cross-border activities. Yet between 2015 and 2019, nearly 40% of multinational profits were shifted to tax havens, reducing global corporate tax revenues by 10%, particularly affecting Africa and Latin America. Corporate arbitrage and IFFs, especially in extractive industries, continue to undermine revenue collection, with countries where IFFs are high spending 25-58% less on education and health.[viii]

Steps taken towards the adoption of a United Nations framework convention on international tax cooperation are a critical step in addressing these challenges.

Similarly, reliable data is essential to curb IFFs and improve domestic revenue mobilization, yet many countries lack the capacity to measure IFFs to report on SDG indicator 16.4.1, let alone to take adequate policy steps. Supporting developing countries capacities on measuring IFFs is crucial, as over 40 countries report requiring additional support to measure and report IFF data effectively.

[1] https://www.project-syndicate.org/onpoint/making-global-monetary-system-work-for-global-south-by-hippolyte-fofack-2023-02

B. Conducive environment dimension

5. Investing in infrastructure, institutions and human capital at the national and regional level

The global economy is facing unprecedented challenges, with the World Bank forecasting the lowest five-year period of GDP growth on record. FDI has declined by 35% since 2015. The slow and uneven pace of technology diffusion, coupled with growing market concentration of digital technologies is deepening global inequalities. Trade fragmentation, driven by geopolitical tensions and shifting supply chains, further risks excluding developing countries from global value chains. This trend threatens to reverse the gains from global trade integration, jeopardizing economic growth and innovation.

Moreover, the rise of inward-looking environmental and digital industrial policies in major economies, which include subsidies, trade- and investment-restrictive measures, is hindering developing countries from leveraging trade for growth while limiting their participation in the growing opportunities provided by the climate and environmental transition. To return to a sustainable development path that enables developing countries to reclaim their rightful place in the global economy and participate meaningfully in economic activity, necessitates the **revival and expansion of traditional enablers of growth such as trade, foreign direct investment and science, technology and innovation.**

At the onset, “big push” investments in critical infrastructure - physical, trade, energy, and digital — as well as human capital and entrepreneurial capabilities, are needed to support the structural transformation and sustained inclusive growth of developing countries. Ultimately, it is this effort that will enable countries to reduce dependency on external financing, expand fiscal space, and reignite economic growth.

New technologies offer opportunities to accelerate these efforts. For example, the cost of financing for emerging and renewable technologies is becoming more and more affordable, presenting an unprecedented opportunity for developing countries to accelerate their transition to sustainable energy and production systems. For countries rich in critical minerals, this provides a unique chance to develop local value chains, attract investment in clean technologies, and become key players in the economy of a global climate and environment transition.

To mitigate the risks associated with certain technologies, there is a growing call for improved competition policies and enhanced access to innovation and technology diffusion, highlighting concerns over the monopolistic nature of digital technologies.

Another challenge facing countries (both developed and developing) is that in the wake of the digital revolution businesses increasingly favour capital-intensive, winner-take-all models that prioritize labour substitution. A larger share of income is now flowing to capital rather than labour, deepening economic inequality. This trend signals a critical need for policy intervention and strategic business innovation to ensure more equitable economic outcomes.

Thus, the key to ensuring that technology creates more jobs than it displaces is to invest in reskilling and upskilling the workforce, as well as education. For non-industrial countries, investment in a fundamental industrial and technological base is critical to take advantage of new emerging technologies and absorb labor intensive jobs.

6. Leveling the playing field: on trade, investment and technology transfer, and intellectual property

To overcome fragmentation and restore sustainable growth, developing countries need to be able to operate on a level playing field within the multilateral trading system, the international investment agreement framework and the governance of intellectual property. This entails enacting the long-outstanding reforms that will allow developing countries the policy space to effectively pursue structural transformation.

Reforms to the WTO are necessary to address the needs of developing countries and ensure a fair, inclusive multilateral trading system that enables their participation in the dual climate and digital transitions. Strengthening the WTO's oversight and restoring its Dispute Settlement Mechanism are crucial for maintaining a level playing field. A fair and inclusive multilateral trading system should find mutually beneficial solutions to address unilateral trade actions driven by the current wave of industrial policies in developed economies, which risk increasing global trade inequalities amid the digital and climate transitions. Additionally, exploring complementary forms of trade integration, such as regional and South-South cooperation, can support supply chain resilience and economic diversification.

Building endogenous productive capacities, adding value to exports, and scaling up trade finance and aid for trade, especially for LDCs, are essential to enable these countries to leverage trade opportunities, including digital, socially and environmentally responsible trade. Improving access to finance, particularly trade finance to micro, small, medium and enterprises, is a requisite to make trade more inclusive. WTO reforms will need to ensure that global trade benefits are more equitably shared but also safeguard global prosperity in the face of future economic shocks and geopolitical tensions.

Additionally, international investment flows must be mobilized to close SDG financing gaps and promote economic growth. Reforms of outdated International Investment Agreements (IIAs) are essential to align investment frameworks with sustainable development goals, reduce the risk of investor-State disputes, and create a more enabling environment for sustainable investment. An adequate international investment environment must ensure that capital flows where it needs to flow – towards the South. It must also ensure that the private sector can be engaged at scale, by fighting against greenwashing, promoting currency de-risking, and providing the right mix of financial incentives and regulation.

Moreover, the outcome document for FFD4 should include a commitment to providing equitable access to advanced technologies and scientific knowledge by developing countries. Such commitment must be supported by international cooperation, funding mechanisms, and open access policies. Intellectual property rights (IPR) should align with the UNFCCC's principle of "common but differentiated responsibility," allowing less technologically advanced countries to adopt production methods from more developed economies. This would enable a more flexible IPR system that supports climate action and global technology dissemination.

Furthermore, mandating global open access to publicly funded research as well as open-source technologies is necessary to boost STI for development. Making scientific knowledge and open-source technologies universally available bridges existing knowledge gaps and empowers nations to respond more effectively to global crises, as proved by the Covid-19 pandemic. The pandemic underscored the importance of making scientific knowledge and technologies widely accessible.

Wherever it took place, the rapid sharing of research findings and data was crucial for understanding the virus and creating vaccines. The dissemination of technical specifications and guidelines to build personal protective equipment was instrumental in protecting first responders.

Indeed, the use of open-source technologies could be an effective enabler for technology development, although dissemination has not been widely effective. Significant gaps in access to scientific knowledge remain, as the pandemic demonstrated. Much of the research remains locked behind paywalls, limiting the ability of nations to respond effectively to the pandemic.

It is therefore necessary to forge a multilateral governance framework that sees technology not just as a private asset, and that shares an access in a manner that facilitates structural transformation and the achievement of the SDGs in the Global South.

In addition, trade, investment and science, technology and innovation are important tools in climate action. We know that SDG targets are also linked to climate change, either through positive co-benefits or negative tradeoffs. Trade and investment policies, for instance, have a direct impact on climate action and on the design and implementation of updated Nationally Determined Contributions (NCDs) and need to be coherently used.

Moreover, when environmental transborder measures like border carbon adjustment (BCA) mechanisms are considered, the need to prioritize maximizing adaptation and mitigation impacts while minimizing negative spillovers on third countries, particularly developing countries. Carbon pricing could also constitute an additional source of development finance, but it should not be overestimated.

By leveraging increased integration into global trade, investment flows, and STI developing countries can raise domestic resources, reduce dependence on external financing, and take greater control of their sustainable development agendas.

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[i] The cost of achieving the Sustainable Development Goals, https://unctad.org/sdg-costing
[ii] UNCTAD 2024
iii Global public debt hits record $97 trillion in 2023, UN urges action | UNCTAD
iv [1] These flows also included net transfers from regional and sub-regional development banks and the IMF.
[v] UNCTAD 2024
vi [1] IMF, Weekly Report on Key Financial Statistics, 30 July 2024.
vii [1] UN Trade and Development secretariat calculations.
[viii] UNCTAR Trade and Development Report 2024