Financing for Sustainable Development

Financing for Development Dialogues: from Evidence to Action
2 December 2024 New York, United Nations Headquarters

Panel Summaries and Recommendations Submitted by Panel Organizers

The "Financing for Development Dialogues: From Evidence to Action" event, held on December 2, 2024, at the United Nations Headquarters in New York, was a cornerstone in the preparatory process for the Fourth International Conference on Financing for Development (FfD4) in 2025. Bringing together global experts, academics, policymakers, and practitioners, the event aimed to bridge the gap between research and actionable policy solutions, fostering a vibrant exchange of ideas to tackle critical challenges in sustainable development financing.

The event featured 20 panels selected through an open call, with special emphasis on including researchers from developing countries to ensure diverse perspectives. Topics ranged from debt sustainability and international financial reforms to international taxation and climate finance. Panel organizers were encouraged to submit summaries and policy recommendations based on their sessions, with nine panels contributing to a consolidated document. This compendium provides valuable insights and recommendations to inform the preparatory process and shape the outcomes of FfD4.

Panel Title: Addressing the Root Causes of Dysfunctions in the International Financial Architecture
Organizers: Committee for Development Policy
Panel Participants:

- **Matthias Bruckner**, Officer-in-Charge, CDP Secretariat, Development Policy Branch, Economic Analysis and Policy Division, Department of Economic and Social Affairs (Moderator)
- **José Antonio Ocampo** - Professor, School of International and Public Affairs, Columbia University
- **Sakiko Fukuda-Parr** - Professor of International Affairs, The New School, USA, Chair of the CDP
- **Liliana Rojas-Suarez** - Director, Latin America Initiative, Center for Global Development
- **Annalisa Prizzon** - - Principal Research Fellow, ODI Global
- **Trudi Hartzenberg**, Executive Director of the Trade Law Centre for Southern Africa, South Africa

Summary:
The panel, convened by the Committee for Development Policy (CDP), examined critical dysfunctions in the international financial architecture and proposed targeted reforms to create a more inclusive and effective development financing system.
On institutional architecture, discussion focused on creating a strong multilevel international financial architecture in which global and regional institutions cooperate, while also strengthening developing countries' representation in Bretton Woods institutions. The panel also highlighted the importance of transforming the UN tax committee into an intergovernmental body, and establishing a permanent sovereign debt restructuring mechanism.
The panel called for increasing lending capacity of multilateral development banks (MDBs) through capital adequacy reforms and concessional financing window replenishments. MDBs were urged to shift from country-specific lending to prioritize global public goods such as climate action, public health, and fragility, employing innovative funding models to tackle these transnational challenges.
To address systemic liquidity crises, the panel proposed an IMF-managed Emerging Market Fund (EMF) to provide automatic, temporary interventions in sovereign bond markets during financial contagion. This fund would complement existing IMF instruments while avoiding country-specific stigma.
The panel underscored the need to align fiscal policies with sustainable development goals (SDGs) by advocating for progressive taxation, gender-responsive budgeting, and alternatives to austerity. Public spending should prioritize universal social protection and essential infrastructure.
In the area of trade finance, the discussion focused on enhancing access for small and medium enterprises (SMEs), particularly in Africa. Proposals included innovative financing mechanisms for energy and digital infrastructure, a greater role for multilateral and regional development banks in the financing of industrialization, leveraging fintech solutions, and integrating mobile money systems into formal financial frameworks.

Recommendations:

- Create a strong multilevel international financial architecture in which global and regional institutions cooperate.
- Strengthen developing countries' representation in Bretton Woods institutions.
- Establish a permanent sovereign debt restructuring mechanism.
- Transform the UN Tax Committee into an intergovernmental body.

- Create a global asset registry to combat tax evasion and promote fairness in international taxation.
- Modernize multilateral development banks (MDBs) to prioritize financing for global public goods such as climate action and public health.
- Expand concessional funding for projects with transnational benefits.
- Create an IMF-managed Emerging Market Fund to provide automatic bond market stabilization during systemic liquidity crises, mitigating contagion and preventing solvency issues.

Panel Title: Middle Income Countries and the Holistic Action Agenda for Financing for Development: Challenges and Opportunities at FFD4

Organizers: Diplomatic Academy of Chile and the Institute of International Studies, University of Chile

Panel Participants:

- **Prof. Eduardo Gálvez** - Fellow at the Diplomatic Academy of Chile, Lead Negotiator of the Monterrey Consensus. (Moderator)
- **José Antonio Ocampo** - Professor, Columbia University, President of the International Commission of Experts on FFD4
- **Dorotea López** - Director, Institute of International Studies, Universidad de Chile
- **José Manuel Campos** - Head of Mega Trade Agreements, Ministry of Foreign Affairs, Chile
- **Mauricio Escanero** - Former Facilitator of the Monterrey Consensus

Recommendations:

- Strengthen global cooperation for development financing, including by increasing the volume and quality of lending by MDBs and by exploring and articulating suitable innovative sources for sustainable development.
- Tackle the systemic challenges for advancing towards an improved and more inclusive global economic governance architecture, including by enhancing the participation of developing countries in decision-making at the Bretton Woods Institutions.
- Address the global institutional gaps in sovereign debt restructuring and in international tax cooperation.
- Consolidate regional and national policy spaces and support regional and national capacities by enhancing mutually beneficial investment and technology transfers.
- Revitalize international trade as an engine for development with the WTO at the center of the multilateral trade system, improving its functions and broadening its social benefits.
- Foster the green transition while preventing trade protectionism.
- Ensure that the global technological transformation contributes to shared global sustainable development, including by articulating a suitable technology global governance.
- Mainstream the gender perspective in all financing for development policies.

Conclusion:

As a whole, the Panel recommended that, at Sevilla, the FFD process should be relaunched as a global leadership undertaking, to once again put into full play the legitimacy and convening power of the UN to galvanize political will and to foster multi-actor cooperation on the FFD holistic agenda, making sure that this bridge-building and all-inclusive consensus-building process remains a stronghold of multilateralism in the challenging years ahead.

Panel Title: Supporting Common Priorities for a Successful FFD4
Organizers: ETTG - European Think Tank Group
Panel Participants:

- **Iliana Olivie** - Professor, Universidad Complutense de Madrid & Director, ETTG, (Moderator)
- **Karim Karaki -** Head of the Economic & Recovery Programme, ECDPM
- **Mónica Colomer -** Ambassador on Special Mission for Development Financing, Ministry of Foreign Affairs, Spain.
- **Rodolfo Reta Haddad - Expert** for macroeconomic, climate change and environmental affairs, Permanent Mission of Mexico to the United Nations (TBC)
- **Joseph Matola -** SAAIA
- **Gabriela Keseberg Dávalos** - Independent Policy Advisor & Southern Voice Fellow

Summary:

- Given the current geopolitical fragmentation, the growing SDGs financing gap, and diverging recovery paths, the FFD4 negotiations promised to be challenging.
- Sensitive issues discussed during the roundtable included the perceived tensions between climate and development finance and the governance of the international financial, tax, and debt architecture.
- Despite differences in approaches, participants shared similar diagnoses and goals.
- Participants recognized that inaction carries both economic and geopolitical costs, potentially undermining multilateral processes.
- FFD4 was seen as an opportunity to support key priorities led through other policy processes such as the IMF/WB or the G20, coordinate actors, and promote ambitious reforms.
- Accountability, entrenched in tangible objectives and targets, was emphasized as vital for monitoring progress and incentivizing implementation.

Panel Title: The Debt and Financing Conundrum: How Can Debt Sustainability Assessment Reform Help?
Organizers: Jubilee USA Network and Friedrich-Ebert-Stiftung New York
Panel Participants:

- **Anna Gelpern** - Professor, Georgetown Law; Nonresident Senior Fellow, Peterson Institute for International Economics (Moderator)
- **Matthew Martin** - Director, Development Finance International
- **Sherillyn Raga** - Research Fellow, ODI (To be confirmed)
- **Gail Hurley** - RESI Affiliate, Development Finance Expert
- **Mahmoud Mohieldin** - United Nations Special Envoy on Financing the 2030 Sustainable Development Agenda

Summary:
FFD4 arrives at a time when developing countries face growing debt vulnerabilities, spreading debt crises, and large financing shortfalls to meet the SDGs and climate goals.
IMF/World Bank debt sustainability analyses (DSAs) will be a pivotal tool in responding to these challenges.
The discussion identified the following challenges:

- DSAs tend to focus on how much debt countries can efficiently repay (benefiting creditors) rather than addressing the needs of debtors and their populations.

Key Areas for Improvement in DSAs:

- Take into account the rising incidence of shocks and global challenges.
- Support sufficient SDG and climate-related investments by providing an accurate picture of the debt relief and financing terms in the context of countries' overall needs without compromising their access to finance.
- Enhance and expand disclosure, accessibility, and accountability to domestic stakeholders.
- Reform implementation practices that create or deepen bargaining power imbalances in IMF program and debt restructuring negotiations.

Recommendations:

- FFD4 could agree on a process to track improvements across such areas within its follow-up.
- Hold periodic reviews with the participation of all stakeholders, including UN agencies with jurisdiction over sustainable development areas.
- Task the IMF/World Bank with providing reports and holding dialogues with stakeholders on the implementation of DSA methodologies and emerging gaps.
- Invite individual countries to share their experiences with DSAs to illustrate good practices, highlight remaining issues, and share lessons learned.

Panel Title: How to Make Crisis Finance Work for Development: **Crafting a Global Financial Safety Net Fit for Purpose for All**

Organizers: Prof. Barbara Fritz, Freie Universität Berlin

Panel Participants:

- **Daniel Bradlow** – SARCHI Professor of International Development Law, University of Pretoria (Moderator)
- **Jayati Ghosh** - Professor of Economics, University of Massachusetts Amherst
- **Ilene Grabel** - Distinguished University Professor & Co-director, MA program in Global Economic Affairs Josef Korbel School of Int'l Studies, University of Denver
- **Marina Zucker Marques** - Senior Academic Researcher, Global Economic Governance Initiative, Boston University
- **Laurissa Mühlich** - Associated Researcher of the Brazil Research Centre Freie Universität Berlin and Non-Resident Fellow, Global Economic Governance Initiative Boston University

Summary:

A fit-for-purpose global financial safety net (GFSN) is fundamental for a global financial architecture that can overcome financial divisions.

Key Points from the Discussion:

- The IMF's ability to create Special Drawing Rights (SDRs) gives it a unique position to provide crisis finance.
- Panelists identified SDR reallocation detached from quota shares as a critical instrument for responding to short-term crisis finance needs of low- and middle-income countries.
- Proposals included creating an SDR swap facility that is open and non-conditional for low- and middle-income countries to multilateralize this crucial crisis finance tool.
- Panelists called for reforms to IMF debt sustainability analyses to transform them into sustainable development assessments, capturing the effects of the missing international insolvency regime on achieving the SDGs.
- While panelists emphasized the need to increase IMF quota-financed resources, they also stressed reforms of lending policies to ensure funds are utilized effectively.
- Low-income countries in Africa often lack access to external short-term liquidity outside the IMF. Panelists noted the importance of extra-regional support for initiatives like the African Monetary Fund and highlighted the potential role of BRICS+ or the European Union.

Recommendations:

- Reform the development finance architecture to strengthen the GFSN.
- Implement SDR reallocation detached from quota shares.
- Establish a non-conditional SDR swap facility for low- and middle-income countries.
- Transform IMF debt sustainability analyses into sustainable development assessments.
- Increase IMF resources and implement lending policy reforms to enhance accessibility for vulnerable countries.

Panel Title: Taxation, Institutions, and Governance
Organizers: Kunal Sen
Panel Participants:

- **Marta Roig** - Chief of the Emerging Trends and Issues in Development Section at the Division for Inclusive Social Development, UNDESA, (Moderator)
- **Santiago Tobin** - Associate Professor, EAFIT, Colombia
- **Marina Nistotskoya** – Professor, University of Gothenburg, Sweden
- **Kunal Sen** - Director of the United Nations University World Institute for Development Economics Research (UNU-WIDER)
- **Amir Lebdioui** - Associate Professor, Oxford University, UK

Summary:
Government revenues from taxation are a critical source of public finances, supporting the fiscal space for economic development and public investments in the United Nations Agenda 2030: Sustainable Development Goals.
The FFD4 Elements Paper emphasizes that good governance and accountable institutions are critical for the long-term financing necessary to address multiple challenges that low- and middle-income countries (LMICs) face.
Key Findings Presented by Panelists:

- The impact of conflicts on taxation efforts.
- The role of formalizing property tax on land and tax revenues.
- Strategies to maximize Sovereign Wealth Funds to finance the SDGs.

Recommendations:

- Shift away from regressive indirect taxes, such as value-added tax (VAT), and prioritize personal income tax as a progressive direct tax.
- Reposition development finance at the core of domestic resource mobilization in Africa by establishing Sovereign Development Funds and/or National Development Banks with clear mandates, strong governance, and legislative oversight.
- Develop effective and accountable political institutions and complementary institutions, such as stronger property rights regimes, to foster fiscal states.

Panel Title: Avoiding the Climate-Debt Spiral: The Role of the IMF and FfD4
Organizers: Boston University Global Development Policy Center, on behalf of the Task Force on Climate, Development and the International Monetary Fund
Panel Participants:

- **Tim Hirschel-Burns** - Policy Liaison, Boston University Global Development Policy Center, (Moderator)
- **Jwala Rambarran** - Senior Advisor, Financial Futures Center
- **Marilou Uy** - Non-Resident Senior Fellow, Boston University Global Development Policy Center
- **Daniel Titelman** - Director, Economic Development Division, United Nations Economic Commission for Latin America and the Caribbean

Summary:
While the intersection of climate change and debt was essentially absent from the Addis Ababa Action Agenda, it has emerged as a major issue in the decade since and is sure to continue to be so in the years to come.
To highlight the risks of a climate-debt spiral, Daniel Titelman presented his study on six Latin American and Caribbean countries, which found that climate change could result in a 9–12% reduction in GDP by 2050. However, the climate investments needed to compensate for these impacts and achieve Nationally Determined Contributions (NDCs) would push countries past debt sustainability thresholds.
Marilou Uy presented her co-authored analysis of the IMF-World Bank Debt Sustainability Framework for Low-Income Countries. The analysis highlighted several shortcomings in the framework, including an underestimation of the scale and persistence of climate impacts and a failure to factor in the growth and resilience benefits of climate investments.
Jwala Rambarran's comments highlighted the context of net negative flows for developing countries, huge climate investment needs, and a disappointing outcome at COP29. He called for improvements to the IMF's Resilience and Sustainability Trust as well as meaningful debt relief linked to climate investments.
Recommendations:

- Place resource mobilization for sustainable development at the core of the FfD outcome and move past an excessively short-term view of fiscal sustainability.
- Call for debt sustainability assessments that integrate the scale and frequency of climate impacts and account for the growth and resilience benefits of climate investments.
- Advance financial innovations and sovereign debt restructuring to meaningfully reduce the debt stock of distressed countries and enable climate investments on an adequate scale.

Panel Title: The Case for Disentangling Climate Finance from Development Finance.
Organizers: Wasim Tahir, Harvard Kennedy School
Panel Participants:

- **Wasim Tahir -** Research Fellow, Harvard University (Moderator)
- **Akash Deep** - Senior Lecturer in Public Policy, Harvard Kennedy School
- **Douglas Beal,** Partner and Head of Sustainable Investing & Social Impact at Boston Consulting Group
- **Zeineb Ben Yahmed,** Climate Policy Institute
- **Reinaldo Fioravanti , PhD,** Group Head - Principal Specialist (Infrastructure & Transportation)

Summary
Development and climate impacts are closely connected, with infrastructure playing a critical role in both. Ninety-two percent of SDG targets are linked to infrastructure, while the power and transport sectors alone account for 80% of global emissions.
Economic growth in emerging markets and developing economies (EMDEs) is projected to remain tied to increasing emissions. In response, stakeholders—particularly in developed countries—have taken an integrated approach, combining climate and development objectives. Climate finance is primarily delivered through the traditional development finance architecture, adding climate-related prerequisites to the existing development goals of MDBs and DFIs.
However, development and climate differ in their benefits, costs, and risks. Therefore, so must their financing. Development finance should prioritize localized socio-economic improvements, while climate finance should focus on global public goods like reducing GHG emissions.
An integrated approach may be crowding out development finance and leading to suboptimal outcomes for both climate and development objectives. Disentangling the two can help address the dual mandates of development and climate and mobilize global private capital to address these objectives.
Proposals:

- At the project level, implement a "Green Swap" mechanism to separate climate and development impacts. This would allocate development-related benefits, costs, and risks to local or development-focused investors, while climate-related components would be financed by global investors with access to lower-cost capital.
- At the institutional level, develop distinct but complementary processes and mechanisms to blend local and global finance and public and private resources effectively for development and climate goals.
- Measure the incremental costs and benefits of green infrastructure to ensure the optimal use of resources like the recently-negotiated New Collective Quantified Goal (NCQG) of $300 billion.

Recommendations:

- Adopt a systematic framework to disentangle climate and development impacts.
- Reform the development finance architecture to address the dual mandate of climate and development goals.
- Scale up the use of innovative tools such as the "Green Swap" to mobilize private finance that allocates climate and development benefits, costs, and risks to investors at the project level.
- Assess the additionality of climate benefits and finance on top of development impact to tap into a wider pool of resources.

Panel Title: Proposal for a Principled and Pragmatic Approach to Dealing with Market Debt of Low-Income Countries in Debt Distress
Organizers: Centre for Advancement of Scholarship, University of Pretoria and the South African Institute of International Affairs
Panel Participants:

- **Prof. Daniel Bradlow** - Centre for Advancement of ScholarshipAS, University of Pretoria. (Moderator)
- **Dr. Marina Zucker-Marques** - Global Development Center, Boston University
- **Jason Braganza** - Executive Director, AFRODAD
- **Anna Gelpern** - Georgetown University Law Center
- **Homi Kharas** - Brookings Institution
- **Christina Laskaridis** - Open University
- **Matthew Martin** - Development Finance International

Summary:
The roundtable discussed the feasibility and desirability of a two-part proposal for addressing the international bonds of low-income countries in distress:

1. A "buyer of last resort" of sovereign debt, who can help distressed borrowers manage debt through debt service suspension, debt restructuring, or new funding on better terms.
2. A set of eight guiding principles establishing a shared set of conditionalities and responsibilities for the sovereign debtor and its creditors. These principles aim to achieve an optimal outcome, offering a balanced mix of economic, financial, environmental, social, human rights, and governance benefits.

Key Concerns Raised:

- The cost of establishing a buyer of last resort.
- The potential for holdout creditors to unduly drive up bond prices.
- The possibility of providing debt relief without promoting economic growth or a fairer economy.
- The scope of the mandate for the buyer of last resort.

Proponents' Response:

- Many concerns could be mitigated through a case-by-case implementation of the proposal.
- The eight guiding principles were designed to address qualitative aspects of debt restructuring, ensuring ex-ante assessment and monitoring to increase the likelihood of achieving optimal outcomes.