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Macroeconomic policy questions

International financial system and development**

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution [79/196](#), entitled “International financial system and development”. It presents an examination of the challenges and opportunities facing the international financial system in enabling long-term, stable and affordable investment for sustainable development in the face of growing macroeconomic and financial pressures, and building on the outcomes of the Fourth International Conference on Financing for Development, held in Sevilla, Spain.

* [A/80/150](#).

** The present document was submitted after the deadline for reasons beyond the control of the submitting office.



I. Introduction

1. In General Assembly resolution 79/196, Member States recognized the need to continue and intensify efforts to enhance the coherence and consistency of the international monetary, financial and trading systems, and recognized the importance of ensuring their openness, fairness and inclusiveness, to complement national efforts to ensure sustainable development. They further recognized the need for an international development finance system that was fit for purpose, including for the scale of need and depth of the shocks facing developing countries, in particular the poorest and most vulnerable, and the urgent need for bold and ambitious reforms to create a stable, sustainable and inclusive international financial architecture.

2. The Fourth International Conference on Financing for Development, held in Sevilla, Spain, from 30 June to 3 July 2025, represented a major effort to address those challenges. Amid geopolitical tensions, climate risks and mounting financing pressures, Member States had given the Conference a mandate to both accelerate implementation of the 2030 Agenda for Sustainable Development and reform the international financial architecture (see General Assembly resolution 78/231). In the outcome of Conference, the Sevilla Commitment, three key responses were emphasized: a large-scale impact-focused investment push; responses to the debt challenges of many developing countries; and international finance architecture reform, building on commitments made in the Pact for the Future. After providing a brief overview of the global macroeconomic context, the present report will lay out an analysis and recommendations in this regard.

II. Global macroeconomic outlook

3. Global economic and financing challenges are hampering the progress made in achieving the Sustainable Development Goals. The global economy faces a challenging outlook, marked by volatility, high levels of debt and elevated policy uncertainties. Trade tensions threaten to disrupt supply chains, reignite inflationary pressures, prolong high interest rates and dampen global investment. These developments further threaten to derail the already fragile path towards recovering pre-coronavirus disease (COVID-19) growth trajectories.

4. Even before the introduction of recent tariffs, global growth was projected to remain below pre-pandemic levels, slowing from 2.9 per cent in 2024 to 2.4 per cent in 2025. In developing economies, inflation is forecast to drop from 6.0 to 4.7 per cent, but still above 2019 levels in three quarters of countries.¹ In this challenging global macroeconomic context, developing countries are faced with declining access to external financing. Globally, foreign direct investment declined by 8 per cent in 2024.² In developing countries, foreign direct investment dropped 2 per cent to \$855 billion, following a 6 per cent fall in 2023.³ Investment in Sustainable Development Goals-related sectors fell by 11 per cent globally. Portfolio flows to emerging markets declined in March 2025 for the first time since September 2023, with market volatility in April 2025 reaching its highest level since the pandemic. Official development assistance (ODA) also fell by 7 per cent in real terms in 2024,

¹ See United Nations, Department of Economic and Social Affairs, “World Economic Situation and Prospects 2025: Mid-Year Update” (2025).

² Excluding European conduit economies. See United Nations Conference on Trade and Development, “Global Investment Trends Monitor, No. 48” (January 2025).

³ Ibid.

to \$212 billion, ending five years of growth.⁴ Further cuts are expected in 2025, following donor announcements of reduced foreign aid budgets.

5. Risks to financial stability have risen amid high uncertainty, exacerbated by several structural trends: growing concentration in equity capital markets; the expanding role of non-bank financial institutions and their links to banks; and high levels of sovereign debt.⁵ While debt levels in developing countries have stabilized since the increase in debt during the pandemic, many developing countries are faced with high borrowing costs and high debt service burdens, large external refinancing needs and declining net external flows, increasing their debt vulnerabilities.

6. Beyond the immediate outlook, structural factors threaten medium-term global growth. Weak investment, ageing populations in advanced economies, sluggish productivity and limited fiscal space are expected to weigh on growth prospects. The slowdown will likely be uneven, delaying convergence between developed and developing countries. If low growth persists alongside elevated interest rates, Governments could face tightening borrowing constraints, weakening their ability to respond to shocks or sustain essential development investment.

7. The series of subsequent crises since 2020, the current context of global uncertainty and overlapping development challenges, and the challenging medium-term growth and development outlook have brought a renewed reform impetus to enhance the effectiveness of the international financial architecture and to make its governance more inclusive. International financial institutions have undertaken significant reforms in recent years to respond to new challenges. Efforts for governance reform have continued. Notwithstanding repeated commitments and some progress, the representation of developing countries in international financial institutions and standard-setting bodies remains unchanged in large part and does not reflect today's realities in full, in which developing countries account for a far greater share of global gross domestic product and population.

III. Facilitating an investment push in the Sustainable Development Goals

Multilateral and other public development banks

8. Resources from multilateral development banks and other public development banks play a critical role in international development cooperation. They provide affordable, long-term finance to developing countries, lowering their average cost of capital for critical investment in relation to the Sustainable Development Goals, as well as essential countercyclical support in times of crisis. Multilateral development bank lending has increased in recent years compared with other capital flows. Annual lending to developing countries by multilateral development banks increased from \$30 billion in 2000 to \$96 billion in 2022. This increase in multilateral development bank lending has allowed net financing flows to developing countries to remain positive.

9. The Sevilla Commitment contains a range of measures to increase and optimize multilateral development bank lending, with a view to potentially tripling it, while ensuring the financial sustainability of such institutions and safeguarding credit ratings. Proposals are made to ensure the effectiveness and efficiency of multilateral

⁴ See Organisation for Economic Co-operation and Development, "Preliminary official development assistance levels in 2024" (16 April 2025).

⁵ See International Monetary Fund, "Enhancing resilience amid global trade uncertainty", in *Global Financial Stability Report: Enhancing Resilience and Uncertainty* (April 2025).

development banks,⁶ building on the Group of 20 road map towards better, bigger and more effective multilateral development banks, and relevant commitments in the Pact for the Future. A further aim of the document is to strengthen the broader system of public development banks and the relationship between multilateral development banks and other public development banks.

10. While politically challenging in the current context, ambitious replenishments of concessional windows and general and selective capital increases would be important components of efforts to maximize multilateral development bank lending. There have been 24 general capital increases across multilateral development banks since 2009, generating \$86.2 billion in additional paid-in capital. The bulk of those capital increases were made in the aftermath of the global financial crisis (2009–2013); however, only 5 per cent occurred in or after 2020.⁷

11. Technical recommendations are provided in the independent review of multilateral development banks' capital adequacy frameworks, commissioned by the Group of 20, to optimize the use of existing capital by multilateral development banks and expand their lending capacity without immediate capital increases. As of mid-2024, multilateral development banks had collectively implemented measures that had enabled \$170 billion in additional lending capacity, with an additional \$113 billion projected to be finalized by the end of 2024.⁸

12. Channelling special drawing rights (SDRs) through multilateral development banks is another way to scale up concessional financing. In the Pact for the Future, countries in a position to do so were called upon to consider rechannelling at least half of their special drawing rights, including through multilateral development banks. The African Development Bank and the Inter-American Development Bank have suggested a hybrid capital solution based on SDRs, which would enable them to borrow on capital markets with a significant leverage effect (estimated at 4 by the African Development Bank). The next step is to secure a sufficient number of countries in a position to lend SDRs, with countries that are legally not able to channel SDRs through multilateral development banks providing a guarantee in currency to the liquidity support agreement. In the Sevilla Commitment, countries in a position to contribute to this solution are encouraged to do so, ideally by the end of 2025.

13. Multilateral development bank lending can also play a catalytic role in mobilizing private capital through blended finance (i.e., the strategic use of concessional resources to mobilize additional financing, notably from private sources). The increased focus on private capital mobilization since 2015 notwithstanding, volumes have remained relatively small, at \$88 billion in 2023. For the least developed countries, the private capital mobilized amounted to \$15 billion in 2023, which represented a 55 per cent increase compared with the previous year, but was still well below expectations.⁹ In addition, the development impact of such deals can be unclear.

14. Steps to increase blended finance, such as standardization, are laid out in the Sevilla Commitment. There is also a call for blended finance initiatives: (a) to focus on sustainable development impact and on quantity and degree of leverage; (b) to promote country ownership by aligning with national sustainable development

⁶ https://coebank.org/documents/1724/G20_Roadmap_towards_better_bigger_and_more_effective_MDBs_T69DXmX.pdf.

⁷ Kevin P. Gallagher, Marina Zucker-Marques, Rishikesh Ram Bhandary and Nathalie Marins, *Energizing MDB Financing Capacity: Identifying and Filling Gaps to Raise Ambition for the 2030 Agenda and Beyond*, Boston University Global Development Policy Center, October 2024.

⁸ See https://coebank.org/documents/1724/G20_Roadmap_towards_better_bigger_and_more_effective_MDBs_T69DXmX.pdf.

⁹ See www.ifc.org/en/insights-reports/2025/mobilization-of-private-finance-by-mdbs-and-dfis.

priorities and industrialization strategies; (c) to give due consideration to global frameworks; (d) to ensure financial and development additionality and project viability; (e) to share both risk and rewards fairly; (f) to follow relevant standards, be transparent and have clear monitoring and accountability mechanisms; (g) to include the participation of Indigenous Peoples and local communities and relevant stakeholders in decisions affecting them; and (h) to take into account debt sustainability monitoring.

15. In addition to committing to enhance lending volumes, multilateral development banks are also called upon in the Sevilla Commitment to enhance and optimize lending terms, including through the consideration of longer loan tenors, extended grace periods and lower lending spreads and other fees, while ensuring their financial sustainability.

16. In the Sevilla Commitment, multilateral development banks are also invited to expand local currency lending and to support the development of foreign exchange risk mitigation and hedging solutions. Several multilateral development banks have put forward concrete commitments to respond to this call through the Sevilla Platform for Action. Specifically, FX EDGE is a new multilateral development bank toolbox for foreign exchange risk management instruments led by the Inter-American Development Bank and Delta is a liquidity platform designed by the European Bank for Reconstruction and Development to help development finance institutions to provide local currency lending.

17. To strengthen the entire system of multilateral development banks and public development banks, there is also an emphasis in the Sevilla Commitment on the importance of cooperation, including co-financing, risk exchange, joint project preparation, mutual reliance frameworks and hybrid capital or equity contributions among development banks, in order to foster synergies based on comparative advantages. Such strengthened cooperation should build on ongoing efforts, including the Global Collaborative Co-Financing Platform and the viewpoint note issued by heads of multilateral development banks in 2024.¹⁰ The World Bank and the Asian Development Bank are working on a mutual reliance framework to allow borrowers to apply a single set of operational policy requirements and engage with a single lender in charge of appraising and supervising or monitoring co-financed projects. The Finance in Common Summit brings together the entire public development bank system, along with representatives of governments, the financial sector, civil society and the media, and others, to further strengthen the system of public development banks.

Official development assistance

18. The ability of multilateral development banks to provide long-term and highly concessional lending at scale is dependent in part on contributions from ODA providers. In 2024, however, ODA from members of the Development Assistance Committee declined by 7 per cent, representing the first drop in ODA in six years. The total ODA amount of \$212.1 billion represents 0.33 per cent of the combined gross national income of member countries. Only four countries exceeded the 0.7 per cent target of ODA as a percentage of gross national income. The fall in ODA was broad-based, as ODA fell in more than two thirds of the Committee's member countries (22 countries, whereas 10 members increased their ODA contributions).

19. The fall in ODA was due mostly to reductions in overall levels of aid by some member countries of the Development Assistance Committee and decreases in their spending on humanitarian and in-donor refugee costs, which had reached peak levels

¹⁰ See <https://www.iadb.org/document.cfm?id=EZIDB0000577-986313001-135>.

in 2023. More specifically, bilateral aid from member countries fell by 5.8 per cent on a grant equivalent basis, owing to a decrease in aid for Ukraine (decline of 16.7 per cent in real terms); lower levels of humanitarian aid (decline of 9.6 per cent); and lower spending on hosting refugees in donor countries (decline of 17.3 per cent). ODA in the form of bilateral development projects, programmes and technical cooperation (excluding humanitarian aid, in-donor refugee costs, multilateral ODA and debt relief), the closest proxy for assistance delivered at the country level, fell by 1.3 per cent. A drop of 11 per cent on a grant equivalent basis in contributions to international organizations also contributed to the overall decline in ODA.

20. Looking ahead, recent announcements by some members of the Development Assistance Committee indicate significant additional decreases in 2025 and beyond. Twelve members have, to date, indicated that they would reduce ODA in 2025. Simulations by the Organisation for Economic Co-operation and Development (OECD), based on a recent survey of 24 members of the Committee, show that ODA could drop between 9 and 17 per cent from 2024 to 2025.

21. In the Sevilla Commitment, the urgent need to reverse the decline in ODA is acknowledged and developed countries are urged to scale up and fulfil their ODA commitments. There is also an emphasis on the need to preserve the concessional character of ODA flows, as well as calls for donors to set concrete and binding time frames for achieving ODA targets. In addition, developed countries are urged to increase ODA that is programmed at the country level and aligned with countries' priorities, including potentially by increasing budget support. Special emphasis is placed on aid with the potential to catalyse the mobilization of additional public resources, including through the call for development partners to at least double, collectively, by 2030, support for developing countries in strengthening domestic resource mobilization.

22. Complementing commitments to scale up multilateral development bank lending and reverse declining ODA trends, there is an emphasis in the Sevilla Commitment on enhancing the quality of development financing and development effectiveness, including by elevating country ownership and leadership by developing countries, alongside strengthened policy coherence by development partners, as core principles of effective development cooperation. Member States commit themselves to reducing fragmentation, including by utilizing the strengths of both horizontal providers, such as multilateral development banks that can leverage their capital, and vertical platforms. Countries are also called upon to explore putting in place or enhancing inclusive, country-led national coordination platforms to support national plans and strategies – not by putting in place additional platforms, but by consolidating current efforts into more holistic platforms, which can be targeted by sector, depending on country priorities. To ensure country ownership, countries need to bring plans, such as integrated national financing frameworks, to the platform, and engage with domestic partners. In the Sevilla Commitment, there are calls for participation in these platforms by all relevant actors, including multilateral development banks and other development finance institutions, the United Nations system, bilateral partners, regional and local governments, the private sector, civil society and national development banks.

23. Given the importance of development impact, as underscored in the Sevilla Commitment, multilateral development banks are encouraged to strengthen their impact measurement frameworks and align them with the Sustainable Development Goals, working towards harmonized approaches that measure both positive and negative impacts. Multilateral development banks, as well as international financial institutions and international organizations, are invited to consider the use of the

multidimensional vulnerability index as a complement to existing practice and policies.

Lowering the cost of capital in developing countries

24. Developing countries are faced with very high costs of capital, impeding their ability to invest in sustainable development. This situation is reflected in high interest rates for both sovereign and corporate borrowers. Lending by multilateral development banks (see above) helps to lower the average costs of capital, as does action to address debt and debt service burdens (see sect. IV below). Addressing high debt service burdens and costs of capital is crucial for boosting investment growth. High costs of capital for sovereign borrowers typically also result in high costs of capital for private investors, contributing to sluggish investment. Investment growth in developing countries has halved, from an annual average of 10 per cent in the 2000s to 5 per cent between 2010 and 2022.¹¹ Reforms to credit ratings and the international financial architecture can contribute to lowering capital costs (see sects. IV and V below).

IV. Debt and debt sustainability

25. Amid weakening growth projections, global public debt is projected to rise again to the peak levels seen during the COVID-19 pandemic and reach 100 per cent of gross domestic product by 2030.¹² High debt levels contribute to financial fragility and economic vulnerability; in developing countries, high borrowing costs and high debt service burdens impede investment in sustainable development. Addressing these debt challenges is a core component of the Sevilla Commitment, which sets out action across the debt cycle: (a) to strengthen debt crisis prevention through debt management, transparency and responsible borrowing and lending; (b) to lower debt service burdens and the cost of borrowing; (c) to achieve efficient, fair, predictable, coordinated, timely and orderly restructurings when they are necessary; and (d) in support of points (a), (b) and (c), to promote debt sustainability and credit assessments that are more accurate, objective and oriented towards the long term.

Strengthen debt crisis prevention

26. To strengthen debt crisis prevention, effective debt management and transparency are essential. There has been progress, including efforts aimed at improving reconciliation of debt data shared by borrowers and lenders. Significant challenges persist, however, including the increased use of opaque financing instruments, heightened risks of hidden debt due to inadequate reporting and weak domestic legal frameworks on debt transparency.¹³ Strengthening parliamentary oversight and enhancing authorization to borrow under domestic legal frameworks are recommended in the Sevilla Commitment. To improve reporting at the global level, there is a proposal to streamline existing debt databases into a single global central debt data registry, housed in the World Bank. Such a registry could harmonize debt data reporting, improve debt data reconciliation, ease the debt reporting process and enhance access to public debt data.

¹¹ Kersten Stamm and Shu Yu, “The magic of investment accelerations”, in *Global Economic Prospects* (Washington, D.C., International Bank for Reconstruction and Development/The World Bank, 2024).

¹² IMF, *Fiscal Monitor: Fiscal Policy under Uncertainty*, April 2025.

¹³ International Bank for Reconstruction and Development/The World Bank, *Radical Debt Transparency*, 2025.

27. Non-binding “soft law” instruments can be used to contribute to improved borrower-lender relations, with the aim of preventing debt crises, improving debt management and aiding in debt crisis resolution. Several such instruments exist; they vary in scope and emphasis and are promoted by different actors. They include the Principles on Promoting Responsible Sovereign Lending and Borrowing of the United Nations Conference on Trade and Development and the operational guidelines for sustainable financing of the Group of 20. Borrowers and creditors have also taken action to promote and adhere to the various principles and guidelines: borrowing countries have included provisions in their domestic legal frameworks to require the disclosure of debt information and borrowing authorization; and official creditors have disclosed detailed information on their lending.¹⁴ Overall adherence is difficult to assess, however, because of gaps in monitoring. For some instruments, no specific entity is tasked with monitoring their implementation. Other monitoring efforts are being made in silos.¹⁵ In response to these challenges, the Sevilla Commitment contains a request to the Secretary-General to convene a working group, with the International Monetary Fund (IMF) and the World Bank, tasked with proposing a consolidated set of voluntary guiding principles on responsible sovereign borrowing and lending, and proposals for their implementation. Such a working group could also design tools for monitoring and assessment, providing momentum for greater observance of the standards and advancing the public accountability of borrowers and creditors.

Lowering debt service burdens to contribute to lower costs of capital

28. The average interest rates charged by private creditors for sovereign bonds climbed to a 15-year high of 6 per cent in 2023¹⁶ and the average coupons of sovereign bonds issued by African countries were four to five times higher than those issued by developed countries.¹⁷ Debt service on external public and publicly guaranteed debt as a percentage of general government revenue in developing countries more than doubled, from 4.3 per cent in 2011 to 11.4 per cent in 2024. A total of 1.1 billion people live in countries where debt service on external debt exceeds 20 per cent of revenue.¹⁸

29. Various instruments and approaches have been used or proposed to help countries to strengthen their liability management and lower the cost of borrowing. Financing instruments, such as debt-for-development swaps, have gained some traction as a tool that can be used to redirect debt service payments towards investment in sustainable development and climate action. Multilateral development banks have used policy-based credit enhancements to improve countries’ borrowing terms on the markets.

30. A three-pillar approach has been advanced by IMF and the World Bank to help countries that are solvent but facing temporary liquidity pressures. It combines structural reforms to boost growth and jobs and mobilize domestic resources,

¹⁴ Karla Vasquez and others, “The legal foundations of public debt transparency: aligning the law with good practices”, Working Paper No. 2024/029 (Washington, D.C., International Monetary Fund, 2024).

¹⁵ Standard-setting bodies, such as the Principles Consultative Group and Group of Trustees, monitor and assess progress with respect to the implementation by emerging markets and private creditors of the principles for stable capital flows and fair debt restructuring of the International Institute of Finance. The World Bank and IMF have developed a diagnostic tool that can be used by countries in the Group of 20 to voluntarily report on their implementation of the operational guidelines for sustainable financing.

¹⁶ World Bank, *International Debt Report 2024* (Washington, D.C., 2024).

¹⁷ Authors’ calculation based on data from LSEG Eikon.

¹⁸ Authors’ calculation based on data from the World Bank International Debt Statistics database.

supported by capacity development; financial support, including from international financial institutions; and action to reduce debt servicing burdens, where relevant. The Small Island Developing States Debt Sustainability Support Service was initiated at the fourth International Conference on Small Island Developing States, held in 2024, with the aim of addressing debt vulnerability in the immediate term and achieving debt sustainability in the long term.

31. Enhancing and systematizing support for liquidity and liability management, including by operationalizing the approaches and mechanisms described above, and lowering the borrowing costs borne by developing countries are crucial in order to increase their fiscal space for investment in the Sustainable Development Goals. In the Sevilla Commitment, it is suggested that an institutional home – which could be within an existing facility of an international financial institution – could contribute to the coordination of liquidity support from multilateral and bilateral creditors, facilitate liability management, scale up debt swaps and provide technical assistance, capacity support and legal advice to countries on the use of complex financial instruments. As part of the Sevilla Platform for Action, Spain and the World Bank announced the establishment of a global hub for debt swaps for development, which could fulfil some of these functions.

Debt crisis resolution

32. To enhance debt crisis resolution, which remains a challenge notwithstanding reform efforts in recent years, the Sevilla Commitment sets out action to: (a) improve contractual frameworks; (b) enact reforms to domestic legislation, including in major jurisdictions where bonds are issued; and (c) enhance international coordination, both by strengthening the common framework for debt treatments and exploring approaches to filling gaps in the architecture.

33. To address remaining challenges, such as hold-out litigation, a lack of aggregation features for private lenders other than bondholders and a lack of comparability of treatment across creditors, there are calls in the Sevilla Commitment for the assessment and refining of contractual tools, such as claw-back clauses, that have been utilized in recent restructurings,¹⁹ loss reinstatement features and value recovery instruments.

34. On the legislative side, the Sevilla Commitment contains concrete proposals to further strengthen the Common Framework with respect to the debt treatments applied to low-income countries facing debt sustainability issues. In particular, the expansion of coordinated debt treatments to middle-income countries not covered by current initiatives is encouraged. Jurisdictions are also encouraged to consider passing legislation aimed at limiting holdouts by creditors to facilitate effective debt restructuring. Some major jurisdictions passed legislation in the 2010s to deter holdouts and vulture fund litigation from disrupting international debt relief efforts, specifically the Heavily Indebted Poor Countries Initiative.²⁰ Presently, there are

¹⁹ Claw-back clauses have been used by bilateral creditors in recent restructurings under the Common Framework for Debt Treatments, including that pertaining to Zambia, to ensure that private creditors are not given a more favourable outcome.

²⁰ The Debt Relief (Developing Countries) Act 2010 of the United Kingdom of Great Britain and Northern Ireland was aimed at ensuring that holdout creditors did not obtain or enforce judgments for more than they would recover if they had participated in the restructuring. Belgium passed legislation on vulture funds in 2015 limiting recoveries to the purchase price paid, while France enacted legislation limiting the attachment of assets of debtor countries in 2016.

ongoing legislative efforts in Germany and the United Kingdom of Great Britain and Northern Ireland to introduce or update such legislation.²¹

35. The Sevilla Commitment sets out action to amplify the voices of debtor countries in the global debt architecture, through the establishment of a platform for borrower countries and the initiation of an intergovernmental process within the United Nations with a view to making recommendations for closing gaps in the debt architecture and exploring ways to address debt sustainability, building on the review of the sovereign debt architecture envisioned in the Pact for the Future.

Debt sustainability and credit assessments

36. Risk premiums and borrowing cost reflect investors' risk perceptions. Credit ratings are both a contributor to such risk perceptions and reflect market actors' sentiments. If ratings are to play a positive informational role in supporting long-term investment, they must be accurate, transparent, objective and long-term oriented. This will ensure that the risk premium and borrowing cost that developing countries face properly reflect their macroeconomic risk profiles. To support a more competitive credit rating market, African countries agreed early in 2025 to establish an Africa credit rating agency and are proceeding to develop a hybrid ownership model for the agency before its full operationalization.

37. In the Sevilla Commitment, three areas of reform are identified that would ensure that the financial system supports accurate, transparent, objective and long-term oriented credit ratings. The first is a call for building countries' capacities to provide high-quality data for credit assessment and build local awareness of credit rating requirements. Enhanced sovereign engagement in the credit rating process can be achieved through institutional coordination and long-term engagement with credit rating agencies at the national level, including the designation of in-country focal points.

38. Second is the establishment of a recurring special high-level meeting on credit ratings under the auspices of the Economic and Social Council for dialogue among Member States, credit rating agencies, regulators, standard setters, long-term investors and public institutions that publish independent debt sustainability analysis. The establishment of the recurring meeting is intended to strengthen engagement at the global level.

39. Third is a call for advancing reform of the methodologies used by credit rating agencies. One suggested reform that credit rating agencies could consider was lengthening time horizons for credit analysis and debt sustainability to account for the projected economic and fiscal benefits stemming from investment in resilience and long-term productivity, or the long-term benefits of voluntary debt restructuring.

40. In addition, in the Sevilla Commitment, IMF and the World Bank are encouraged to continue to refine debt sustainability assessments in order to better account for sustainable development needs and investments and to better distinguish between solvency and liquidity, building on the ongoing review of the Debt Sustainability Framework for Low-Income Countries.

41. The package of debt-related action outlined in the Sevilla Commitment is complemented by the recommendations of the Expert Group on Debt appointed by the Secretary-General in December 2024, which was tasked with identifying pragmatic and actionable solutions to the debt challenges to be discussed during the

²¹ Proposed legislation – the Debt Relief (Developing Countries) Bill – has been lodged before the Parliament of the United Kingdom. A proposed law on foreign sovereign debt restructuring support is under discussion in Germany.

Fourth International Conference on Financing for Development. Prior to the Conference, the Expert Group proposed three sets of measures, which centred on reforms to the multilateral system, cooperation between countries and the strengthening of national policy in borrowing countries. All three sets of measures were aimed at supporting the overarching goal of helping countries to break free from the “debt morass” that threatens economic stability, social progress and sustainable development. Notably, The measures include the proposal of establishing a forum for borrowers to share knowledge and experiences, provide advice and enhance their voice in the global debt architecture, which directly contributes to the implementation of the aforementioned Sevilla Commitment action on establishing a platform for borrower countries.

V. Reforming the international financial architecture

42. The international financial architecture is intended to create the conditions for stable growth and development, prevent economic and financial crisis and contribute to crisis mitigation and resolution. Notwithstanding significant reforms to the international architecture in recent years, concerns remain about the adequacy and coverage of the global financial safety net, and the voice and representation of developing countries in global economic governance. Further reforms to the international financial architecture could contribute to facilitating the investment push for sustainable development, including by reforming and adapting financial regulation to ensure that it is contributing to sustainable development finance. The Fourth International Conference on Financing for Development was explicitly mandated to support reform of the international financial architecture. Member States emphasized the importance of architecture reform by renaming the action area on systemic issues to “international financial architecture and systemic issues” in the Sevilla Commitment. The outcome includes specific actions for architecture reform that build on the advances in the Pact for the Future.

Further strengthening the global financial safety net with the International Monetary Fund at its centre

43. The international financial system has experienced a series of shocks since 2020 that have threatened global financial stability. Recent developments, notably increasing policy uncertainty, especially around trade, elevated sovereign debt levels and rising global macroeconomic imbalances, are putting renewed stress on the global financial system, with rising volatility in financial markets and tightening financing conditions testing the resilience of the global financial safety net.

44. The global financial safety net is a set of institutions and mechanisms that provide liquidity for financial crisis prevention and resolution. Its aims are to provide insurance for countries against a crisis, supply financing when crises hit, and incentivize sound macroeconomic policies. The safety net consists of four main layers: countries’ own international reserves; bilateral swap arrangements, whereby central banks exchange currencies to provide liquidity to financial markets; regional financing arrangements, by which countries pool resources to leverage financing in a crisis; and IMF.

45. The global financial safety net has grown significantly since the global financial crisis of 2008. The gross reserves held by countries are, by far, the largest component of the global financial safety net. Since 2000, the total stock of international reserve holdings has increased more than sevenfold, reaching \$16.1 trillion at the end of 2024. Foreign exchange reserves accounted for 77 per cent of those reserves. Countries categorized as emerging and developing by IMF held approximately \$7.5 trillion in

foreign exchange reserves, which amount to some three fifths of the total, but those reserves are concentrated in a small number of countries. Bilateral swap lines and regional financial arrangements have grown considerably since 2008, but account for a much smaller share of the global financial safety net (\$2.65 trillion) and are available only to a limited group of countries.

46. IMF is the only layer of the global financial safety net that provides almost universal coverage. IMF has a lending capacity of approximately \$946 billion. To strengthen IMF capacity, in December 2023, the IMF Board of Governors approved a 50 per cent quota increase as part of the sixteenth general review of quotas. However, once effective, the sixteenth general review will leave the lending capacity of the Fund unchanged because the quota increase will replace borrowed resources. The increase has not been implemented, given that some IMF members countries must have the quota increase approved by their legislature, and the decision has not yet received the formal consent of IMF member countries with 85 per cent of the Fund's voting rights.

47. In 2024, IMF lending commitments totalled \$70 billion to 30 countries, including some \$15 billion to 20 low-income countries. Since the start of the COVID-19 pandemic, IMF lending commitments have totalled \$357 billion to 97 countries.

48. The IMF response to the COVID-19 crisis intensified a pre-existing trend for use of instruments with less conditionality compared with standard programmes, notably through emergency financing and precautionary facilities. A total of 76 countries drew on emergency financing between March 2020 and December 2021, compared with only 16 countries that had drawn on emergency financing since the creation of these facilities under their current form in 2009. In 2022, the Fund created a new emergency funding instrument, the Food Shock Window, which was designed to provide financing to countries that faced urgent balance of payments needs associated with the global food shock. Although the instrument was discontinued in March 2024, IMF has joined several international initiatives on food insecurity. In October 2024, the Food and Agriculture Organization of the United Nations proposed the establishment of a financing facility for shock-driven food crises to the Group of 7.

49. IMF adjusted its precautionary facilities toolkit in response to the COVID-19 pandemic. The purpose of the toolkit is to facilitate crisis prevention in order to avoid costlier crisis resolution. IMF established a new precautionary facility in 2020, the Short-term Liquidity Line, which was the first addition to the IMF financing toolkit in almost 10 years. It provides a revolving and renewable credit line, without ex post conditionality, but only to member countries with very strong fundamentals and policy frameworks. In late 2023, the Fund reviewed the entirety of its precautionary facilities toolkit. In the Sevilla Commitment, IMF is encouraged to explore whether it can strengthen its role in the ex ante global financial safety net, especially for developing countries.

50. At the time of writing, IMF is conducting a review of its programme design and conditionality. The aims are to better take into account member countries' implementation capacity and to consider the appropriateness of the Fund's conditionality, including the level of fiscal consolidation, social spending floors and the number of structural reforms required. In the Sevilla Commitment, further efforts are encouraged to strengthen the consideration of social protection and social spending in IMF-supported macroeconomic adjustment programmes.

51. Reforms to the IMF lending framework included a reduction in the cost of borrowing from IMF for both concessional and non-concessional lending. They also included a review of charges and surcharges, completed in October 2024, which

lowered borrowing costs for member countries with large non-concessional financing programmes. In the Sevilla Commitment, the review was welcomed and the IMF Executive Board was encouraged to consider in the future adopting a policy for adjusting surcharges in response to disasters and exogenous shocks.

52. Demand from eligible countries for concessional financing reached unprecedented levels following the outbreak of the COVID-19 pandemic. Credit outstanding has more than tripled from approximately \$8.9 billion at the end of 2019 to more than \$30 billion at the end of 2024. A comprehensive review of the Poverty Reduction and Growth Trust, the facility for making resources available on concessional terms, was completed in October 2024, with a new interest rate mechanism applied to new Poverty Reduction and Growth Trust lending from May 2025. The new mechanism will set interest rates at zero for the poorest member countries who are eligible for the Trust (approximately half of countries) and modest, but still concessional, interest rates for the others. A comprehensive review of the Resilience and Sustainability Trust, a medium-term IMF facility designed to help with climate change financing and pandemic preparedness, will be undertaken in 2026.

53. In the Sevilla Commitment, the IMF Executive Board is encouraged: to consider working to further increase the Poverty Reduction and Growth Trust's self-sustaining capacity to lend concessional resources; to further enhance effectiveness of and ease access to the Resilience and Sustainability Trust; and to consider the appropriate charges policy in accordance with the Fund's credit risk management framework.

54. In the 2021 general allocation of SDRs, developing countries received approximately one third of the allocated SDRs. In order to address the fact that the majority of SDRs were being allocated to countries that had no great need for additional reserves, efforts have been made to rechannel SDRs towards countries in need. This has happened through the Poverty Reduction and Growth Trust and Resilience and Sustainability Trust (concessional IMF trust funds) and SDR-denominated loans from Member States. The Group of 20 achieved its goal of SDR rechanneling of \$100 billion through pledges, but the actual delivery of those pledges is still ongoing.

55. In May 2024, IMF approved the use of SDRs for the acquisition of hybrid capital instruments issued by multilateral development banks to boost their lending capacity.²² This new ability is subject to a cumulative limit of SDR 15 billion in order to minimize liquidity risks. A review of the proposed use is expected to be conducted when cumulative hybrid capital contributions surpass SDR 10 billion or two years after the authorization, whichever comes first. As at July 2025, no multilateral development bank had received sufficient country pledges for an SDR rechanneling hybrid capital instrument, although the African Development Bank and Inter-American Development Bank proposals for hybrid capital instruments have generated the most interest.

56. In the Sevilla Commitment, countries that had already made SDR rechanneling pledges were called upon to deliver on those pledges promptly, and additional countries were encouraged to join the voluntary SDR rechanneling effort and to voluntarily rechannel at least half of their SDRs to developing countries, in line with the commitment in the Pact for the Future. As noted above, countries in a position to do so are encouraged in the Sevilla Commitment to contribute to SDR rechanneling through multilateral development banks.

57. Also in Sevilla Commitment, the IMF Executive Board is invited to consider designing a SDR playbook that provides operational guidance and strengthens the

²² International Monetary Fund, "Use of SDRs in the Acquisition of Hybrid Capital Instruments of the Prescribed Holders", *Policy Papers*, Vol. 2024, No. 26 (May 2024).

role of SDRs during crises and shocks, in line with the Articles of Agreement of the IMF. In addition, IMF is encouraged to continue to review the role of SDRs and their place in the international monetary system.

58. While often overshadowed by the Fund's lending role, the IMF surveillance and policy advice changes are significant for development outcomes. Since 2018, five macrocritical strategies have been adopted on governance, social spending, digital money, climate and gender. In 2022, IMF reviewed its institutional view on capital flows, acknowledging that, in some cases, capital flow restrictions and macroprudential measures were legitimate tools, especially for developing countries facing financial stability risks.

Making the global economic governance more inclusive and effective

59. Global economic governance has not kept pace with changes in the global economy. Following the adoption of the Monterrey Consensus of the International Conference on Financing for Development in 2002, Member States have intensified discussions about the increased participation of developing countries in international economic decision-making, and some progress has been achieved across several institutions. Since 2000, both the World Bank and IMF have expanded the size of their boards of executive directors to create space for more representatives of developing countries. Notwithstanding some improvements, developing countries retain 37 per cent of the voting rights at IMF and 39 per cent at the World Bank, far short of the 75 per cent that developing countries represent in the membership of these institutions.

60. While some realignment of voting rights at IMF was achieved on the basis of agreements adopted in 2005 and 2010, it was agreed as a result of the sixteenth general review of quotas that quotas would be increased on an equiproportional basis, meaning that there was no realignment in voting rights. Looking ahead to the seventeenth review, finance ministers serving on the International Monetary and Financial Committee of the IMF had called for work to develop, by June 2025, possible approaches for further quota realignment, including a new quota formula. However, given that progress on that development was delayed, they agreed in April 2024 to work first on principles that could inform the quota review before working on any such formula.

61. Building on the commitments contained in the Pact for the Future to strengthen the voice and representation of developing countries in the international financial architecture, the Sevilla Commitment contains words of encouragement directed at the IMF Board of Governors to explore further quota share realignment to enhance developing countries' voice and better reflect members' relative positions in the world economy, while protecting the shares of the poorest members, under the seventeenth general review of quotas, including by considering increasing basic votes, among other measures. Enhanced geographical representation in IMF senior management positions, in particular for developing countries, including in the potential future creation of an additional IMF Deputy Managing Director, is also encouraged in the Commitment.

62. Change at the World Bank Group was accomplished through a selective capital increase agreement in 2017. In 2021, for the first time in more than 50 years, there was a major revision of voting rights at the World Bank's concessional arm, the International Development Association. A shareholding review, which is done once every five years, is due to conclude in 2025. In the Sevilla Commitment, the World Bank Board of Governors is encouraged to achieve an equitable balance of voting power through that review and to promptly implement the review outcomes.

63. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development contained a commitment to open and transparent, gender-balanced and merit-based selection of international financial institution heads and to the enhanced diversity of staff. To date, there have been two women leaders of IMF, and the Managing Director of IMF and the President of the World Bank have always been citizens of a developed country. In the Sevilla Commitment, there is a recommitment to an open and transparent, gender-balanced and merit-based selection of international financial institution heads, and the boards of all international economic and financial institutions are encouraged to continue to conduct regular reviews on diversity in their boards and in the executive and senior leadership to address geographical underrepresentation and gender imbalance, and to publish regular public reports on diversity.

64. The specialized standard-setting bodies and the Financial Stability Board have improved and institutionalized their consultative structures to receive input from regional bodies. The Board increased the number of plenary seats allocated to developing countries. However, other international standard-setting bodies have experienced stagnant or declining representation of developing countries on their principal decision-making organs in recent years.

65. The follow-up process to the financing for development outcomes has increased the economic and financial dialogues among the major United Nations bodies, the World Trade Organization, the World Bank and IMF and other international actors as part of efforts to promote system coordination and policy coherence.

Unlocking investment flows to developing countries by properly calibrating financial risks

66. Financial regulatory reforms following the financial crisis in 2008 have enhanced financial stability. International and regional prudential frameworks, such as the Basel III regulations for banks and the Solvency II for insurers in the European Union, were designed to protect the financial soundness of institutions. Notwithstanding significant progress, regulatory and supervisory authorities operate in a turbulent macroeconomic environment marked by high uncertainty, intensifying geopolitical and trade tensions, and persisting inflationary pressures in some countries and regions. In addition, they are confronted with emerging challenges and new vulnerabilities, such as climate-related financial risks and volatile cryptoasset markets.

67. Current prudential approaches may sometimes fail to fully capture features of lending activities and financial instruments that are of particular importance for sustainable development, such as infrastructure lending and small and medium-sized enterprise lending in developing countries, and risk mitigation instruments.

68. For example, under Basel III, infrastructure lending carries high capital charges. Given that infrastructure loans typically fall in the project finance category, they are assigned elevated risk weights of 130 per cent during the construction phase and 100 per cent during the operational phase. However, these same loans, in general, exhibit lower default rates and higher recovery rates than project finance and even corporate finance, especially over the long term.²³ Under Solvency II, capital charges on non-OECD equity exposures are disproportionately high (49 per cent for non-OECD, compared with 39 per cent for OECD) and based primarily on political classifications. In addition, the consideration of risk mitigation instruments in risk weightings, such as guarantees provided by multilateral development banks and development finance

²³ Liliana Rojas-Suarez, “Aligning International Banking Regulation with the SDGs”, *CDG Policy Paper*, No. 351 (February 2025).

institutions, can be constrained by contractual limitations, resulting in inconsistent treatment.

69. In the Sevilla Commitment, relevant international organizations and standard setting bodies are invited to prepare a report on risk weightings, assessing how they take into account the risk reductions from innovative finance mechanisms such as guarantees and blended finance. Those organizations are invited to present findings, including policy implications, if appropriate, at the Economic and Social Council forum on financing for development follow-up. The document also contains an invitation for further research and analysis to be conducted on the potential impact of risk weightings on finance, such as for micro-, small and medium-sized enterprises, infrastructure and trade finance. As part of the Sevilla Platform for Action, an Eminent Persons Group was established to provide empirical evidence on projects in which regulations might have hindered private investment in developing countries. The Eminent Persons Group will be supported by the Paris Pact for People and the Planet secretariat and will produce a report by 2026.

VI. Conclusions

70. The Fourth International Conference on Financing for Development was held amid a challenging global macrofinancial context and rising systemic risks. The international community faces a widening sustainable development financing gap, driven by climate shocks, geopolitical fragmentation, rising debt and declining external financial flows. Current global economic governance remains out of step with a multipolar and interdependent world, and many developing countries continue to struggle to gain access to affordable finance and shape international decisions.

71. The Fourth International Conference on Financing for Development served to renew international ambition, as evidenced by Member States' agreement on a major investment push that should be anchored in nationally owned strategies. Member States committed themselves to strengthening development cooperation, including by better aligning development cooperation with national priorities; scaling up and reform multilateral development banks; and providing sufficient liquidity for countries in need. The international financial architecture envisioned in the Sevilla Commitment would facilitate long-term investment and lower financing costs for developing countries and support debt sustainability through timely restructuring, enhanced liquidity tools for new vulnerabilities and more inclusive debt processes. It would also strengthen the global financial safety net with a well-resourced IMF at its centre, enhance the role of SDRs in the international monetary system and usher in governance reforms across international economic and financial institutions to reflect current global realities. Achieving such a vision will require sustained political will, coordination and accountability in the implementation of the measures outlined in the Sevilla Commitment.
