



# Road to Seville

Reform proposals for FfD4  
from the United Nations  
regional commissions



**United  
Nations**

Regional commissions of the United Nations

**ECA • ECLAC • ESCAP • ESCWA • UNECE**



# Road to Seville

Reform proposals for FfD4  
from the United Nations  
regional commissions



**United  
Nations**

Regional commissions of the United Nations

**ECA • ECLAC • ESCAP • ESCWA • UNECE**

This policy brief was prepared jointly by the five United Nations regional commissions: the Economic Commission for Africa (ECA), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic and Social Commission for Western Asia (ESCWA) and the Economic Commission for Europe (UNECE). It outlines key strategies for financing policy reforms and solutions across selected action areas. The aim is to provide actionable recommendations to enhance resource mobilization, improve debt sustainability and foster inclusive economic growth, particularly in the context of the urgent need to accelerate the implementation of the 2030 Agenda for Sustainable Development and support the reform of the international financial architecture.

The United Nations and the countries it represents assume no responsibility for the content of links to external sites in this publication.

---

United Nations publication  
LC/TS.2025/1  
Distribution: L  
Copyright © United Nations, 2025  
All rights reserved  
Printed at United Nations, Santiago  
S.2500003[E]

---

This publication should be cited as: United Nations, *Road to Seville: reform proposals for FfD4 from the United Nations regional commissions* (LC/TS.2025/1), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2025.

Applications for authorization to reproduce this work in whole or in part should be sent to the Economic Commission for Latin America and the Caribbean (ECLAC), Documents and Publications Division, [publicaciones.cepal@un.org](mailto:publicaciones.cepal@un.org). Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and to inform ECLAC of such reproduction.

# Contents

- I. Introduction .....5
- II. Action areas.....7
  - A. Domestic public resources.....7
    - Challenges .....7
    - Elements for reform .....8
  - B. Debt and debt sustainability .....10
    - Challenges .....10
    - Elements for reform .....12
  - C. Global economic governance.....13
    - Challenges .....13
    - Elements for reform .....14
  - D. International development cooperation.....16
    - Challenges .....16
    - Elements for reform .....17
  - E. Private finance .....18
    - Challenges .....18
    - Elements for reform .....21
  - F. Monitoring and follow-up modalities.....22
- III. Conclusion.....25
- Bibliography .....26



# I. Introduction

Emerging and developing countries face significant challenges that hinder progress towards achieving the Sustainable Development Goals (SDGs). These challenges include uncertain economic growth prospects, high financing costs, limited fiscal space, high public debt and a financial system that is disconnected from productive investment. Compounding these issues is an international financial architecture that is struggling to adequately support these countries' financial requirements to finance sustainable development and smooth out economic cycles. Additionally, geopolitical divisions and ongoing conflicts complicate financing challenges and undermine collective action. As a result, almost two-thirds of the way towards 2030, only 17% of SDG targets are on track globally.

The global financing for development framework faces systemic shortcomings owing to unmet development finance commitments, inequalities in access to finance, and an international development system that allows untaxed incomes to flow out of developing countries. Additionally, a debt-driven, risk-prone financing landscape, misaligned with sustainability requirements, is struggling to provide the necessary signals to attract private capital.

This situation raises profound questions about the adequacy of the existing global economic governance system and the international financial architecture in delivering the SDGs. Systemic weaknesses in the international financial system reveal shortcomings across the tax, debt resolution, trade and investment ecosystems. The Fourth International Conference on Financing for Development (FfD4) presents a critical opportunity to address these systemic challenges and put the 2030 Agenda back on track.

This policy brief, prepared by the five United Nations regional commissions, outlines key strategies for financing policy reforms and solutions across selected action areas. The aim is to provide actionable recommendations to enhance resource mobilization, improve debt sustainability and foster inclusive economic growth, particularly in the context of the urgent need to accelerate the implementation of the 2030 Agenda for Sustainable Development and support the reform of the international financial architecture.



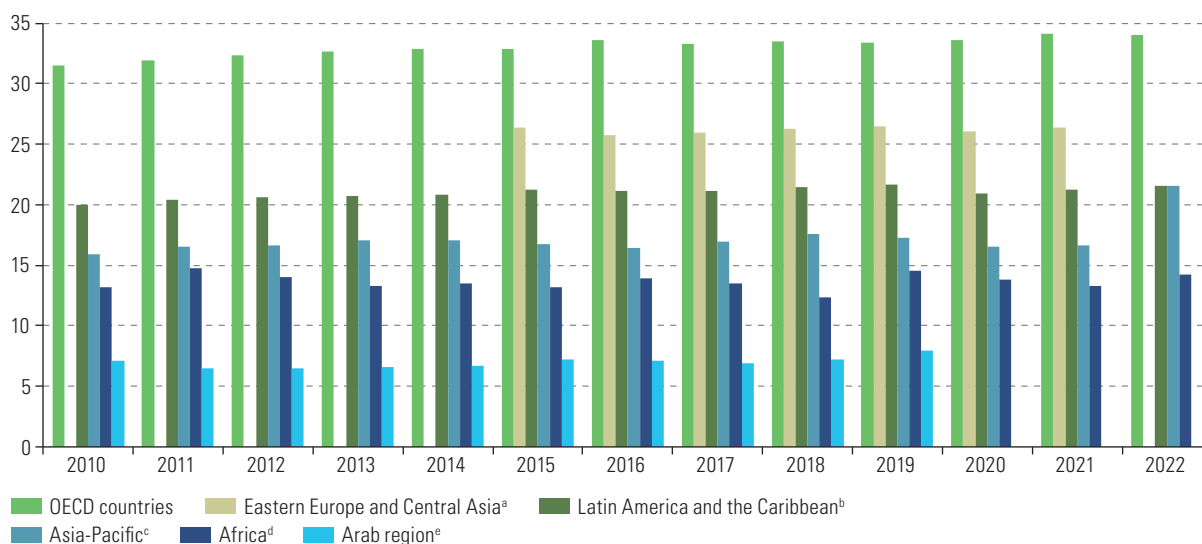
## II. Action areas

### A. Domestic public resources

#### Challenges

Fiscal revenues are perhaps the most critical source of funding for the transformative changes needed to achieve the Sustainable Development Goals (SDGs). However, emerging economies and developing countries face significant challenges in strengthening fiscal revenues, which include high levels of tax evasion and avoidance, weak and limited tax bases and regressive tax structures that favour indirect taxes (figure 1).

**Figure 1**  
World (selected groupings and regions): average general government tax revenues, 2010–2022  
(Percentages of GDP)



**Source:** United Nations on the basis of Organisation for Economic Cooperation and Development (OECD), OECD Stat [online] <https://data-explorer.oecd.org/>; International Monetary Fund (IMF), “IMF’s World Revenue Longitudinal Database (WoRLD)”<sup>1</sup>; Government Finance Statistics for 2022; World Institute for Development Economics Research (UNU-WIDER), Government Revenue Dataset 2023; Economic and Social Commission for Western Asia (ESCWA), *Realities and Prospects. Survey of Economic and Social Developments in the Arab Region 2020–2021* (E/ESCWA/CL3.SEP/2021/1), Beirut; and World Bank, World Development Indicators.

<sup>a</sup> Figures refer to developing countries that are members of UNECE.

<sup>b</sup> Figures refer to developing countries that are members of ECLAC.

<sup>c</sup> Figures refer to developing countries that are members of ESCAP.

<sup>d</sup> Figures refer to developing countries that are members of ECA.

<sup>e</sup> Figures refer to developing countries that are members of ESCWA, excluding Somalia, the State of Palestine and the Syrian Arab Republic, for which data are unavailable.

In Africa, low tax-to-GDP ratios, inefficient tax administration and substantial revenue losses due to illicit financial flows and unproductive tax incentives are some of the issues facing countries. The continent loses approximately US\$ 90 billion annually to illicit financial flows, which hampers resource mobilization for development. In addition, poorly designed tax incentives lead to unintended revenue losses and create an enabling environment for illicit financial flows.

In developing Europe and Central Asia, below-cost charges for the use of natural resources and the provision of utilities, opaque tariff-setting and cross-subsidization pose challenges for countries and deter investment. Kazakhstan and Ukraine are the only countries of the subregion with carbon pricing instruments. Energy exporters in the Caucasus and Central Asia have low tax ratios; however, their tax revenue gaps are also low, unlike in energy-importing countries. As in energy-exporting countries, small, energy-importing lower-middle-income economies also provide significant fuel subsidies. In the Western Balkans, a high tax wedge on low-income earners is exacerbated by low progressivity in personal income tax.

In Latin America and the Caribbean, there is limited capacity to mobilize public resources domestically, leading to fiscal deficits and constant pressure on public debt. This has been compounded by the continued decline in tax revenues since the 2008 global financial crisis and slow economic growth. The region's tax structure is biased towards indirect taxes, with goods and services taxes, including value added tax (VAT), accounting for 46.5% of the tax burden. Tax evasion and avoidance remain major obstacles, with losses from income tax and VAT evasion and avoidance estimated at 6.7% of GDP in 2023, equivalent to US\$ 433 billion. In comparison, total central government capital expenditure amounted to approximately US\$ 152 billion that year.

Several Asia-Pacific countries have made remarkable progress in tax revenue mobilization since 2000, with the regional average tax-to-GDP ratio increasing from 13% in 2001 to 18.4% in 2022. Despite such progress, tax revenue mobilization remains low compared with Organisation for Economic Cooperation and Development (OECD) countries. For example, if the region's economies were to reduce the tax gaps in personal income taxes and property and wealth taxes relative to OECD countries to the level of the tax gap in goods and services taxes, they would mobilize an additional 4.4% of GDP annually and halve the total tax revenue gap. Moreover, ESCAP estimates suggest that more effective tax policies and tax administration would have a limited impact on revenue unless accompanied by broader improvements in socioeconomic fundamentals and governance quality. Sustained economic development, social progress in the form of better education and greater economic equality, and improved public governance may contribute more to raising tax revenues in the long run than additional tax effort in the short run (ESCAP, 2024a).

Despite significant progress made in countries of the Arab region, several challenges remain for tax systems, including high collection costs, low compliance, high tax expenditures and low tax morale. These issues have resulted in some of the lowest tax-to-GDP ratios globally, with a median of 18%–25% since 2010. The region's reliance on indirect taxation, accompanied by multiple exemptions, leads to inefficiencies and fails to mitigate distributional biases and inequalities. VAT efficiency tends to be below global standards, especially in the informal sector. Inequitable tax systems and wealth concentration create incentives for taxpayers to hide or shift assets, driving productive capacities into informality. As a result, 63% of employment is informal, compared to 18% in developed economies, generating tax gaps of up to 30% of non-oil GDP. Tax evasion by non-wage earners and high-net-worth individuals, along with aggressive corporate tax planning, has significantly narrowed the tax base and reduced overall corporate tax contributions.

## Elements for reform

Strengthening tax collection mechanisms and creating sustainable public finance frameworks are essential for fostering economic stability and inclusive development. Key areas of concern include strengthening personal income taxes, addressing tax evasion to enhance tax potential and reviewing tax expenditures to mobilize the resources necessary for public investment.

One of the most pressing issues is the need to reinforce direct taxation, particularly personal income tax, which remains weak in many countries. Personal income tax reform, focused on increasing progressivity and broadening the tax base, is crucial. Countries must also prioritize combating tax evasion and avoidance, which result in substantial revenue losses and undermine the equity of the tax system.

Effective reforms could include adjusting marginal tax rates, revising tax bases and improving the treatment of different types of income, alongside expanding wealth and property taxes. These measures are essential not only for raising revenues but also for ensuring a fairer distribution of wealth.

Tax reforms should aim to reduce informality, broaden the tax base and improve compliance. There is a positive correlation between formal employment and tax compliance, as workers in the formal sector are more likely to contribute to public revenues.

The wealthiest individuals often pay disproportionately low taxes, further widening the wealth gap. Implementing a net worth tax—calculated based on an individual's total assets minus liabilities—could be an effective tool to counteract this trend. Such taxes, designed progressively with exemptions for lower wealth thresholds, could enhance revenue mobilization while promoting greater equity.

Countries should also explore environmental taxes, such as carbon taxes, to mobilize resources and encourage sustainable consumption and production patterns. Carbon taxes provide a means of raising public revenues while also promoting the transition to low-carbon economies. However, their implementation must be carefully managed to avoid the likely inflationary and regressive effects on vulnerable populations, particularly those dependent on fossil fuels for their livelihoods.

In regions like Latin America and the Caribbean, the potential for revenue generation through carbon taxes is substantial. For example, a carbon tax priced at US\$ 50 per ton of CO<sub>2</sub> could generate around 1.4% of GDP in additional revenue, helping countries to finance the green transition. However, the revenue raised by this type of tax is relatively low in comparison to investment needs. For this reason, carbon taxes should be viewed as part of a broader financial strategy.

In addition, taxation can be expanded to public health, including through taxes on sugar-sweetened beverages and other unhealthy products. These taxes not only raise revenue but also encourage healthier consumption patterns, aligning public health goals with fiscal policy.

In resource-rich countries, the extractive sector presents an unparalleled opportunity for revenue mobilization. However, it is often difficult for governments to capture a fair share of the economic rents from extractive activities. To ensure that resource-rich countries can benefit from their natural wealth, it is essential to have well-designed fiscal frameworks, incorporating progressive royalties and taxes on economic rents, that strike a balance between attracting investment and securing fair returns for the public.

There is much to be gained by the use of digitalized tax systems to strengthen tax administration. Digital solutions have become increasingly integral to effective and efficient tax administration, facilitating swift and robust tax revenue enhancement. Streamlined electronic tax filing and payment systems, together with the digitalization of collection, storage, analysis and sharing of tax data can result in substantial time and cost savings for both taxpayers and tax authorities, more effective tax auditing and enforcement, and greater transparency and accountability in the tax system as a whole.

It is important to adopt a holistic approach to improve tax revenue mobilization. Strengthening the tax effort is but one means of enhancing revenue and may exhibit diminishing returns as countries reach the maximum tax levels their socioeconomic fundamentals and public governance quality can support. This calls for new thinking on tax revenue mobilization, with governments asking not only how taxes can be raised, but also focusing on how this affects sustainability incentives and how these resources are spent as part of a coherent medium-to-long-term revenue strategy.

Fiscal space can be expanded not only by increasing tax revenues but also by improving the efficiency of public spending. Enhanced public financial management strategies are crucial for ensuring effective allocation of public resources, reducing waste and improving service delivery. Transparent public procurement processes, credible budgets and strong institutional frameworks are needed to maximize the returns on public spending. Investment planning should incorporate mechanisms for coordination across various levels of government—both national and subnational. Improved public financial management will also bolster investor confidence, leading to greater private investment in infrastructure, education and health.

To complement national reforms, international tax cooperation is critical, particularly in combating cross-border tax evasion and improving the taxation of multinational corporations. The rise of the digital economy poses new challenges for tax systems, but it also offers opportunities to enhance tax administration through digital tools. Developing countries, especially in Africa, must address governance, technology and capacity challenges to fully leverage these digital opportunities.

Reducing revenue leakage through illicit financial flows and curbing unproductive tax incentives can significantly improve fiscal space in developing countries. Africa is leading by example with a common position on illicit financial flows. Additionally, reviewing tax expenditures and prioritizing tax incentives that effectively encourage investment can improve revenue mobilization without distorting the tax system.

The adoption of the historic resolution on promotion of inclusive and effective international tax cooperation at the United Nations (2024a) is expected to lay the foundation for a fairer international tax system. Leveraging the processes of the Fourth International Conference on Financing for Development could be instrumental in facilitating a concerted approach to accelerate the development of an ambitious United Nations framework convention on tax cooperation, thereby restoring the policy space for developing and other countries to fully harness taxes for the betterment of all their citizens. The convention should deliver immediate benefits, in line with the recommendations set forth in 2015 by the High-level Panel on Illicit Financial Flows from Africa established by the African Union and ECA, including access for all countries to information on offshore financial accounts and on the beneficial ownership of companies and other legal vehicles, and public, country-by-country reporting of multinational companies.

The fiscal challenges developing countries face are substantial, but they are not insurmountable. Reforming tax systems, strengthening tax administrations, diversifying tax bases, enhancing public spending efficiency and strengthening international cooperation, would enable countries to mobilize the resources needed to finance sustainable development. Urgent action is required to address highly unequal wealth distribution, combat tax evasion and harness new sources of revenue, such as wealth and environmental taxes. A comprehensive approach that includes both national reforms and global cooperation is essential to a fairer, more inclusive and sustainable future.

## **B. Debt and debt sustainability**

### **Challenges**

When managed responsibly, public debt can serve as a vital tool for financing sustainable development and critical expenditures. However, the rapid growth of global indebtedness, exacerbated by crises such as the coronavirus disease (COVID-19) pandemic, geopolitical tensions and a slowing global economy, has created significant challenges for emerging and developing nations. These countries are faced with severe constraints on fiscal space, depletion of public resources, increased financial instability, and in some cases, the risk of insolvency.

The recent surge in global public debt is a major challenge for developing countries in the effective pursuit of sustainable development. The diversion of scarce resources to debt servicing has compounded existing developmental challenges, amplified by an international financial architecture that limits access to affordable development finance. This has forced many countries to rely on more volatile and expensive commercial borrowing options, making them vulnerable to external shocks. Simultaneously, the worsening impacts of climate change further threaten fiscal stability and debt sustainability, placing additional stress on economies already stretched thin.

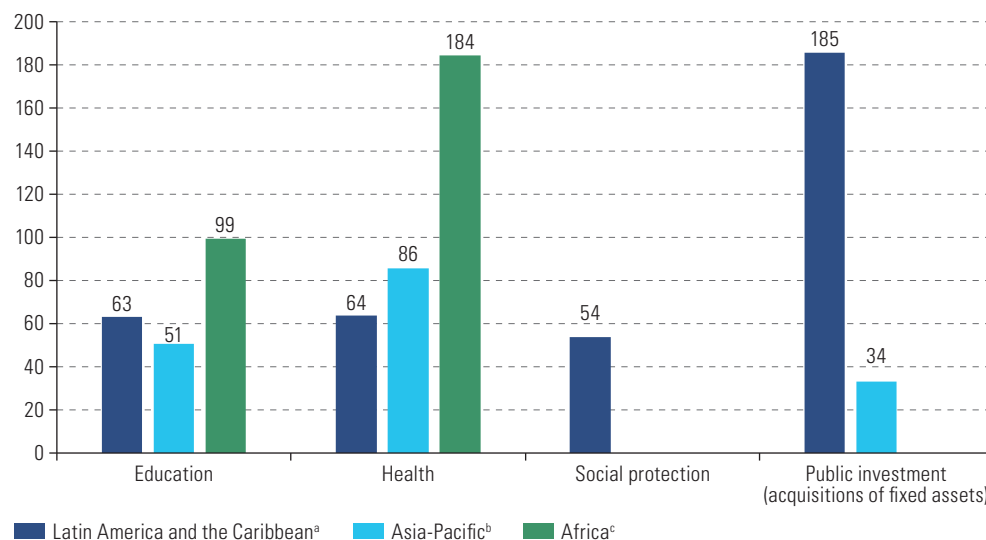
According to UNCTAD (2024), developing countries' external public debt stood at US\$ 3.2 trillion in 2022, equivalent to 28.4% of GDP and 92.4% of export revenues. By 2023, net interest payments on this debt had soared to US\$ 847 billion, up 26% since 2021, affecting over 3.3 billion people. External sovereign debt service (US\$ 365 billion) consumed 6.3% of export revenues, with 54 countries allocating over 10%

of their annual revenues to servicing debt. This massive diversion of resources from essential services such as health, education and infrastructure investments highlight the urgent need for a restructuring of global debt management (figure 2).

**Figure 2**

Central government interest payments relative to spending on education, health, social protection and public investment, 2021

(Percentages)



**Source:** United Nations on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), *Public debt and development distress in Latin America and the Caribbean* (LC/TS.2023/20), Santiago; United Nations Conference on Trade and Development (UNCTAD), *A World of Debt*, (UNCTAD/OSG/TT/INF/2024/1), Geneva, 2024; and World Bank, World Development Indicators.

<sup>a</sup> Argentina, Bahamas, Barbados, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay. Figures for Brazil, Colombia, Costa Rica, Guatemala, Paraguay and Peru refer to general government. Figures for Argentina, El Salvador and Mexico refer to the non-financial public sector. Public investment is measured by acquisitions of fixed assets. Figures for fixed asset acquisitions as a share of interest payments refer to the central government in all cases.

<sup>b</sup> Averages for 2020–2022, except in the case of public investment, which is for 2019–2021. Countries included vary. Data exclude Turkmenistan. Figures for education do not include Bosnia and Herzegovina and figures for public investment do not include Kyrgyzstan.

<sup>c</sup> Total government expenditure for: Algeria, Angola, Benin, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Eswatini, Ethiopia, Gabon, the Gambia, Ghana, Guinea, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, South Africa, Togo, Uganda, the United Republic of Tanzania and Zambia.

In African countries, external debt is typically characterized by long-term maturities and concessional interest rates. However, domestic debt tends to be shorter in duration and more costly, with frequent refinancing needs that expose countries to higher roll-over risks. With rising domestic policy rates driven by geopolitical instability, inflation and a strong dollar, many African nations are struggling with increased borrowing costs and shorter loan durations. Transitioning from external borrowing to domestic sources has not mitigated this risk but rather exchanged one form of vulnerability for another.

In Latin America and the Caribbean, rising financial costs have led to significant reallocations of public resources, diverting funds from development projects toward interest payments. In some cases, interest payments now exceed the amount spent on essential services such as education, health and social protection. Public investment, particularly in infrastructure, has become the main fiscal adjustment variable as countries prioritize debt sustainability over development.

A notable shift in debt composition has occurred across all developing regions, with an increasing share of external public debt owed to private creditors. By 2022, private creditors accounted for 61% of developing countries' total external public debt. This shift has brought higher borrowing costs and increased risks of debt defaults, owing in particular to exchange rate fluctuations and trade disruptions.

Furthermore, the growing role of private creditors, who are less inclined toward coordinated debt relief, complicates efforts to restructure sovereign debt, prolonging financial distress and increasing the cost of debt resolution.

In developing Asia and the Pacific, gross public debt levels have charted a U-shaped curve since 2000, with average public debt-to-GDP ratios nearing the high levels recorded in the immediate aftermath of the Asian financial crisis of 1997. Primary fiscal deficits have been the main drivers of the increase in public debt during this period, followed by exchange rate depreciation of local currencies, which has had a much greater impact on small and vulnerable economies. The expansion in commercial and private lending, which on average demand interest rates 2.5 times higher than those of official creditors and concessional finance, has further compounded matters, resulting in mounting debt service burdens and a steady decrease in the maturities of external public debt.

The Arab region is also grappling with an unsustainable rise in public debt, which surpassed US\$ 1.5 trillion in 2022. Debt-to-GDP ratios in the region have surged from 25% in 2008 to 68% in 2021, and more than 100% in several countries. This has severely limited their capacity to invest in the SDGs and respond effectively to external shocks. The high cost of borrowing—often at rates five times those in the United States—has worsened debt distress, leading to defaults, credit rating downgrades and increased insolvency risks. External public debt in the Arab region, often denominated in foreign currencies, has risen sharply, representing 122% of export revenues in 2021. By 2022, external debt service had consumed over one fifth of tax revenues, severely constraining fiscal space and threatening the sustainability of social spending. The region's limited participation in sustainable bond markets also hinders its ability to secure long-term, affordable financing for climate and development initiatives.

Despite the critical role of debt relief in supporting resource mobilization, current international frameworks for sovereign debt restructuring have proven inadequate. The Debt Service Suspension Initiative of the Group of 20 (G20) granted just US\$ 13 billion in relief to 48 countries a mere 2.7% of their total debt stock of US\$ 477 billion. Most middle-income countries are excluded from both the Debt Service Suspension Initiative and the Common Framework for Debt Treatments (ECLAC, 2024b), leaving them without adequate avenues for debt relief.

The global debt architecture has also failed to adapt to major changes in the financial landscape, including the rise of bilateral lenders outside the Paris Club and the growing importance of non-bank financial intermediaries. The fragmented creditor base, combined with complex debt instruments and legal structures, has exacerbated coordination failures and information asymmetry, further complicating debt resolution efforts.

## Elements for reform

There are three distinct sources of public debt distress. The first is economic and fiscal mismanagement, involving policy missteps by the government that can theoretically be avoided through more prudent and accountable fiscal decision-making. The second, temporary liquidity shocks, arises when tail risks of economic and financial crises or natural disasters push reasonably managed economies into liquidity and temporary debt distress without compromising their long-term fiscal solvency. Thirdly, there are significant development deficits and gaps in climate financing. Many of these spending needs, including social expenditures or climate adaptation expenditure, are related to consumption or insurance and therefore do not generate adequate cash returns for debt servicing and repayment. Financing such spending with debt rather than development transfers would inevitably lead to debt distress.

Recognizing these sources of public debt distress and the need to treat each of them differently is the first step towards a systematic and coherent response to today's public debt and development financing challenge. Importantly, rather than being forced to provide complicated and burdensome ex post debt relief, a voluntary increase in ex ante development transfers would be a much more desirable option for the international development community.

In addition, debt relief and restructuring mechanisms must be extended to middle-income countries and updated to reflect the realities of today's financial landscape. Coordinated and collective action by creditors is essential to ensure that debt restructuring processes are timely, equitable and effective in reducing debt burdens.

To mitigate risks associated with sovereign debt, borrowing and lending practices must be aligned with the SDGs. This includes improving transparency through a public registry of sovereign debt contracts and improving methods for assessing sovereign debt sustainability. These changes are vital for distinguishing between liquidity crises and solvency crises, allowing countries to focus on long-term investments in climate adaptation and sustainable development without risking fiscal collapse.

Moreover, robust debt management frameworks are needed to prevent inefficiencies and leakages in debt usage. Transparent governance frameworks should be established to ensure that borrowing decisions are made responsibly and with adequate oversight. Unfortunately, most developing nations lack such frameworks, leaving them vulnerable to political pressures that lead to excessive and unsustainable debt.

Exchange rate volatility is another significant factor in the debt sustainability of developing countries. Depreciation of national currencies can drastically increase the burden of foreign currency-denominated debt. To mitigate this risk, countries should improve their currency risk management capabilities, with technical support from multilateral development banks (MDBs). MDBs can also play a role by absorbing some of the currency risks in their lending practices and promoting the use of local currency in international debt issuance.

Expanding local currency borrowing is also essential for reducing vulnerability to exchange rate fluctuations. This can be achieved through the development of local capital markets and the implementation of guarantee and credit enhancement programs. Strengthening these mechanisms would enable developing countries to borrow in local currency, reducing their exposure to foreign exchange risks and fostering the growth of local markets.

Developing countries have increasingly turned to thematic bonds —such as green, social and sustainable bonds— as a means of attracting a wider pool of investors. While these instruments offer a promising pathway to access capital, their integration into national debt management strategies must be handled carefully. If not properly aligned with broader fiscal goals, these bonds could exacerbate overall debt burdens or increase exposure to foreign exchange risks. A coordinated approach across government sectors is necessary to ensure that thematic bonds support sustainable development objectives without undermining fiscal stability. This would involve identifying suitable projects and aligning bond issuance with long-term development strategies.

In the short term, efforts to address the debt crisis should focus on expanding participation in the G20 Common Framework for Debt Treatments to include middle-income countries. The framework's operations should also be streamlined to ensure equitable treatment for all countries. In the medium term, a multilateral debt restructuring mechanism is needed to balance the interests of sovereign debtors and private creditors. Such a mechanism would act as a neutral broker in debt negotiations, ensuring that debt treatments adhere to common principles and protect the interests of vulnerable countries.

## **C. Global economic governance**

### **Challenges**

The global financial system, established in the aftermath of the Second World War, no longer adequately reflects the realities of today's interconnected and complex global economy. With developing countries playing a much larger role in the global economic landscape, the need for comprehensive reform is becoming increasingly urgent. The existing structures not only fail to account for these shifts but also struggle to meet the financing needs of countries dealing with rising debt and limited fiscal space.

One of the foremost challenges is the issue of developing countries' representation and voting power in major international financial institutions (table 1). For example, although African countries account for a large proportion of the world's population, they have historically been underrepresented in key decision-making bodies such as the International Monetary Fund (IMF) and the World Bank. At the XV BRICS Summit in August 2023, leaders adopted the Johannesburg II Declaration calling for changes in IMF quotas to ensure better representation of developing economies (BRICS, 2023). In April 2024, the Intergovernmental Group of Twenty-four (G24) noted the need to increase representation of emerging markets and developing economies, including from the Asia-Pacific region, in the IMF governance structure (G24, 2024).

**Table 1**

IMF quotas and voting shares relative to share of population and global GDP, 2022  
(Percentages)

	Quotas	Votes	Population	GDP (PPP Adjusted)
Advanced economies	61.4	59.1	13.7	40.5
Emerging and developing economies	38.6	40.9	86.3	57.7
Emerging and developing Asia	13.0	13.1	48.5	33.0
Emerging and developing Europe	6.6	6.7	5.0	7.0
Latin America and the Caribbean	7.9	8.4	8.0	7.2
Middle East and Central Asia	7.6	8.1	11.0	7.3
Sub-Saharan Africa	3.5	4.6	13.8	3.1
Climate vulnerable countries	4.0	5.3	16.7	5.3

**Source:** United Nations on the basis of L. Merling, "No voice for the vulnerable. Climate change and the need for quota reform at the IMF", *Global Economic Governance Initiative Working Paper*, No. 057, Boston University, 2022.

Beyond quota allocation, other factors affect the availability of financing. By end-May 2024, around 60% of the total credit outstanding at IMF had been given to only five borrowers accounting for just about 2.1% of the total voting power (Argentina, Egypt, Ukraine, Pakistan and Ecuador), highlighting a skewed distribution against the majority of developing and least developed countries (IMF, 2024). Concerns regarding the distribution of votes are therefore overshadowed by the proportional access to financing for other developing and least-developed countries (LDCs) within existing rules.

Another major challenge is the SDG financing gap in developing countries. Development finance flows are insufficient and unpredictable, hampering efforts to eradicate poverty, improve health and education, and address climate change. Multilateral development banks must be reformed in order to mobilize greater financing and support sustainable development.

Alongside these economic and environmental challenges, stronger international cooperation is needed to combat illicit financial flows, corruption and tax evasion. These issues undermine the financial stability and development prospects of many countries, particularly those with weaker governance structures.

## Elements for reform

To reflect changing global dynamics, reform of the governance structures of international financial institutions is essential to increase the representation of developing countries. One key proposal is to update the quota formulas used by IMF to ensure that they better reflect the populations of member countries. Greater representation would thus give developing economies greater influence on policy decisions. As a result, policies that affect the global economy could be better tailored to their needs and priorities. This would also lead, in part, to improved access to resources for development financing, since IMF quotas are linked to the availability of loans for IMF members (IMF, 2024).

In view of the ongoing vulnerabilities in the global economy, the international financial safety net needs to be significantly strengthened. MDBs and bilateral creditors should play a more active role in providing countercyclical financing during crises. Unused special drawing rights (SDRs) are an underutilized resource that could finance development initiatives and reduce reliance on more expensive external borrowing.

Proposals to increase the lending capacity of MDBs include capital increases, better use of existing capital and more flexible lending criteria. These measures are crucial to support the growing financing needs of developing countries, particularly as they navigate the challenges of sustainable development.

Major development banks have proposed capital increases as a necessary means to raise lending capacity to meet the growing financing needs of developing countries. At the global level, in 2023, the World Bank announced plans to raise its capital, which would expand its lending capacity by between US\$ 100 billion and US\$ 125 billion over the next decade (ECLAC, 2024b).

Other initiatives to increase development bank lending capacity include the modification of capital adequacy frameworks. According to a G20 study, this could raise the global investment capacity of multilateral banks by between US\$ 500 billion and US\$ 1 trillion without compromising their credit rating (Léautier and others, 2022; G20, 2023, cited in ECLAC, 2024b). The World Bank is also considering increasing guarantee amounts and hybrid capital, including by recycling SDRs, making more efficient use of callable capital and expanding concessional financing (ECLAC, 2024b).

Given the importance of leveraging private resources to finance development, multilateral development banks can also explore alternative financing mechanisms such as thematic bonds. Globally, there has been solid growth in green, social and sustainable bonds since 2013. Data available for Latin America and the Caribbean show that the international issuance of green, social and sustainable bonds—including sovereign and corporate issuance—in the period 2014–2022 represents a cumulative total of US\$ 81.2 billion (Climate Bonds Initiative, 2024, cited in ECLAC, 2024b).

One promising avenue for increasing global liquidity is the recycling of SDRs from developed to developing countries. The 2021 SDR allocation provided much-needed relief to developing countries, but there is still much potential to optimize the use of these resources. Proposals for the automatic issuance of SDRs during crises, based on pre-established conditions, would ensure a faster response to future financial emergencies, avoiding delays caused by political gridlock.

In addition to the reform of the SDR system, greater emphasis must be placed on strengthening South-South, triangular and horizontal cooperation. This multidimensional approach is essential for building resilient and sustainable financial systems across the developing world, particularly as these countries face a wide array of financial, governance and capacity-building challenges.

The international financial system must also provide more concessional financing to developing countries, which should not be based solely on income levels. The current “graduation” system, whereby countries lose access to concessional financing once they cross a certain income threshold, is too rigid. Instead, a more flexible “gradation” approach is needed, allowing countries to access financing based on their ability to mobilize domestic resources and contribute to global public goods. Such a shift would ensure that countries maintain access to concessional finance for longer periods and would support their development efforts while allowing them to manage economic vulnerabilities.

The current global credit rating system, dominated by private agencies, often fails to consider long-term risks and sustainability metrics. This can lead to unfair assessments, particularly for developing countries, which are already grappling with debt and limited access to affordable financing. Credit rating methodologies must be overhauled to incorporate a broader range of assessments, including environmental and social risks, for the system to be more transparent and equitable. Moreover, debt contracts should include contingency clauses to protect countries from insolvency triggered by external shocks, such as natural disasters. This would provide a safety net for vulnerable economies, helping them to manage unforeseen crises more effectively.

The need for comprehensive reforms in the international financial architecture has never been more pressing. With many emerging and developing countries experiencing debt-related development distress, immediate action is required to modernize global governance, enhance debt management frameworks and establish more equitable debt resolution mechanisms. Without swift and decisive action, the path towards achieving the SDGs will be increasingly difficult, raising the risk of further economic instability and widening social inequality.

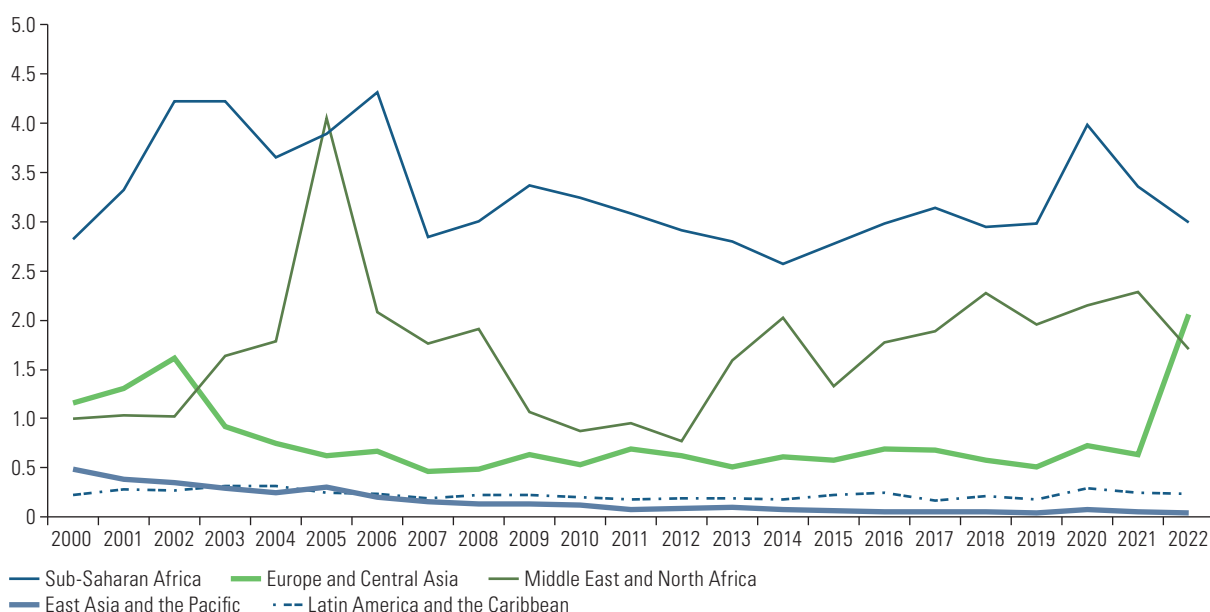
## D. International development cooperation

### Challenges

Official development assistance (ODA) reached a record US\$ 211 billion in 2022, yet it still falls short of global commitments (figure 3). OECD Development Assistance Committee donor countries contributed only 0.36% of their gross national income, well below the 0.7% target set by the United Nations. The inclusion of in-donor refugee costs, debt relief, and vaccine donations inflated ODA figures by US\$ 30.9 billion (15%), masking the true allocation toward long-term development priorities.

**Figure 3**

World: selected regions: average official development assistance (ODA), by region, 2000–2022  
(Percentages of gross national income at current prices)



**Source:** United Nations on the basis of World Bank, World Development Indicators, 2024 [online] <https://databank.worldbank.org/source/world-development-indicators>.

**Note:** Regional groupings do not include high-income countries.

In the Arab region, ODA inflows from the Development Assistance Committee fell to US\$ 13.4 billion in 2022 from US\$ 16 billion in 2020. A US\$ 6.5 trillion shortfall in unmet commitments since 1970 and a further US\$ 14 billion in unmet disbursements between 2011 and 2021 represented a missed opportunity for development financing for ODA recipients in the region. Moreover, the new rules setting limits for grant elements should be carefully considered so that ODA does not contribute to debt accumulation and to ensure alignment with the specific needs of recipient countries. The current rules allow Development Assistance Committee members to increase their ODA figures without increasing their ODA budgets in absolute terms.

ODA reporting shows that for every dollar of bilateral Arab ODA received by Arab region countries in 2022, 53 cents were directed to other regions. This underscores the significant impact of Arab development assistance both within and beyond the region. However, it also emphasizes the need to effectively target ODA to address the most pressing and multifaceted needs of vulnerable and debt-burdened economies of the region.

The discrepancies and shortfalls in climate finance further highlight the need for transparent and equitable allocation of ODA. The increasingly complex and fragmented climate finance architecture has caused significant monitoring and reporting challenges. The double-counting of climate finance as ODA must be urgently addressed. Only 5% of global climate finance reached vulnerable regions, including the Arab region.

With climate finance requirements reaching US\$ 5.4 trillion globally, the current pace of support is woefully inadequate despite the proliferation of climate funds. Shadow reporting reveals that only one third of reported climate finance is genuinely available, highlighting the need to reassess how climate finance is measured and allocated.

## Elements for reform

To strengthen the development finance landscape, ODA commitments must be unequivocally met and pledges matched with actual disbursements, ensuring the availability of concessional resources for sustainable development. ODA must be additional, untied and fully met. Unmet ODA commitments represent an outstanding financial obligation. Debt relief should not be counted as ODA, nor should undisbursed portions offset future shortfalls. ODA should be aligned with national development priorities and targets to enhance its effectiveness in delivering public goods and services, with a focus on maximizing the grant element for concessionality. It should also be deployed to crowd in private capital, ensuring adequate investment in critical social sectors, and create an enabling environment to foster public-private partnerships to strengthen social infrastructure.

ODA-related technical assistance is essential to mobilize additional resources, enhance tax revenue and support sustainable finance and private investment through transparent finance strategies with environmental, social and governance (ESG) accountability. While it is essential to target development cooperation to fiscally constrained and debt-vulnerable countries, debt relief should not be discounted or construed as ODA flows. Integrated national financing frameworks (INFFs) can guide the allocation of ODA so that it is in line with national sustainable development priorities and improve its effectiveness. Lastly, support for humanitarian and reconstruction needs must not detract from cross-border ODA flows, the metrics of which should be reconsidered along with grant threshold equivalents.

Greater attention should be given to concessional finance blended with private finance, as it can play a critical role in de-risking investments towards SDGs and create a more favourable environment for private sector participation. Multilateral development banks should lead by example, not only in providing concessional finance but also in supporting capacities to crowd in private capital. MDBs can provide technical assistance, policy guidance and risk mitigation instruments such as guarantees that lower the risk profile of investments, making them more attractive to private investors. Priority should be given to scaling up concessional finance and increasing adaptation financing to 50% of total climate finance. Lastly, MDBs should pursue alignment with United Nations initiatives with a view to increasing concessional finance, mobilizing blended finance and supporting long-term regional projects.

National development banks (NDBs) play a crucial role in mobilizing the required financing, including from private sources, to achieve countries' climate and developmental objectives. The main barriers to expanding NDB financing for productive development include limited access to low-cost sources of financing and insufficient long-term capital. This limits their ability to finance transformative investment

projects, which may require long gestation periods, significant volumes of long-term financing and large initial capital investment. Closer cooperation between MDBs and NDBs can significantly scale up the provision of public financing by leveraging the lending capacity of multilateral banks.

## E. Private finance

### Challenges

Private business activity is essential for driving productivity, inclusive growth and job creation. A more dynamic and sustainable business sector will only arise with more inclusive and sustainable financial markets. Lack of access to affordable finance and financial incentives misaligned with sustainability are often among the most binding constraints for sustainable private sector development. While important progress has been made towards financial inclusion, with more than half a billion people gaining access to financial services between 2017 and 2021 alone, the availability of long-term financing continues to be a challenge for small- and medium-sized enterprises (SMEs) and individuals, particularly in developing countries (United Nations, 2024b).

Capital markets play a pivotal role in enhancing countries' domestic resource mobilization by providing a structured and efficient platform for the aggregation and allocation of financial resources. Undeveloped and undiversified capital markets limit the extent to which developing countries can mobilize domestic resources and, for many lower income developing countries, attract international capital to build functional institutions for sustainable development, improve government accountability to communities and reduce dependence on foreign aid.

In Latin America and the Caribbean, as in the rest of the world, over the past three decades the financial sector has grown significantly in volume, participants, instruments and products. However, for the region, the deepening of financial systems —measured by domestic lending as a percentage of GDP— has taken a different path from investment as a percentage of GDP. While financial deepening increased from nearly 30% of GDP in 2006 to over 50% in 2022, investment as a share of GDP remained at around 20% throughout that period. This phenomenon reflects the decoupling of financial savings and productive investment (ECLAC, 2024b).

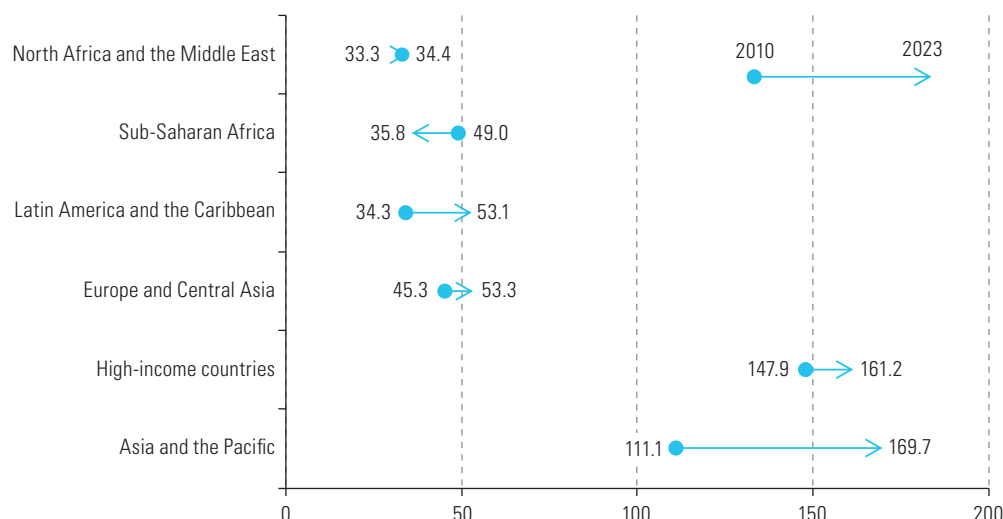
Closing the gap between financial savings and the financing of production requires financial systems that are capable of incentivizing and efficiently channelling savings to finance investment and technological innovation and facilitate access to financing by production agents.

In Latin America and the Caribbean, average financial system lending to the private sector as a percentage of GDP stood at 34.3% in 2010, nearly on par with the Middle East and North Africa (33.3%) and below the developing countries of Europe and Central Asia (45.3%) and Sub-Saharan Africa (49%). In the years following the financial crisis, private sector lending grew, reaching 53.1% of GDP in Latin America and the Caribbean in 2023, a level comparable with the developing countries in Europe and Central Asia (53.3%). This is well above the Middle East and North Africa, where it has remained relatively constant at around a third of GDP, and Sub-Saharan Africa, where it contracted to around 35.8% of GDP. Despite this significant increase in Latin America and the Caribbean, private sector lending as a share of GDP remains well below that of developed countries (161.2%) and the developing countries of the Asia-Pacific region (169.7%) (figure 4).

Within the productive sector, the access barriers of the formal financial system are substantially higher for SMEs than for larger firms. On average, just 45% of small businesses in Latin America and the Caribbean are able to obtain loans from formal financial institutions. SMEs mainly use the financial system for deposits and payments, and use credit products far less. On average, 93.6% of the products they use are current accounts, while credit lines account for 36.9% and term loans for 23.4%. This hinders their capacity to expand and their future growth (ECLAC, 2024b).

**Figure 4**

World (selected regions and groupings): average financial system lending to the private sector, 2010–2023  
(Percentages of GDP)



**Source:** United Nations on the basis of World Bank, World Development Indicators, 2024 [online] <https://databank.worldbank.org/source/world-development-indicators>.

**Note:** Regional groupings do not include high-income countries.

From the perspective of Asia and the Pacific, four main challenges hamper the mobilization of domestic and international finance. The first is the underdeveloped and highly uneven state of financial markets in most Asia-Pacific economies. Key features include: weak market infrastructure, reflected in underdeveloped exchanges for stocks, securities, derivatives and other financial instruments; weak clearing systems for the settlement of financial transactions; the absence of guiding frameworks for the issuance of various financial instruments; the absence of bondholder rights and insolvency regulations; lack of secondary markets, particularly for corporate bonds; and regulations that restrict foreign ownership or pose taxation issues. Second, the institutional investor base, such as pension funds or insurance companies that can provide stability and liquidity, is small. In most countries in the region, domestic savings are still primarily channelled through banks rather than capital markets. Third, corporate governance continues to be a constraint in many capital markets, as the poor quality of financial reporting by domestic businesses and weaknesses in the legal system make it difficult for investors to seek redress in courts when necessary. Lastly, the business landscape in Asia and the Pacific overwhelmingly consists of micro, small and medium enterprises (MSMEs), which account for an average of 96.6% of all enterprises, 55.8% of the workforce and 28.0% of GDP or gross value added in several developing countries of the region. These enterprises are predominantly financed by internal funding (equity). While they occasionally borrow from formal channels such as banks, they do not raise capital through securities in the capital markets.

In the Arab region, although SMEs account for 96% of registered businesses, they receive only a small share of bank lending and long-term credit lines for MSMEs are particularly scarce. By 2019, the unmet financing needs of formal MSMEs in nine Arab countries had risen to US\$ 207 billion, equivalent to 24% of their combined GDP. In 2022, lending to SMEs had declined in 75% of economies worldwide, highlighting the pressing need to expand the scope of financial services and local markets to facilitate risk-sharing and improve access to finance for more than a limited number of firms. This has been attributed to geopolitical tensions, de-risking and weak enforcement of complex —sometimes overlapping— regulatory frameworks enacted under preferential trade agreements and qualified industrial and economic zones. It is also rooted in high capital costs driven by high risk premiums, which have deterred capital inflows, leading to short-termism and underinvestment in critical sectors. This is especially evident in the energy transition: the doubling of capital costs from 5% to 10% drives up renewable energy costs by nearly 50%, hindering the shift to sustainable production patterns and limiting the benefits of SDG impact investments.

There has been a widespread decline in flows of foreign direct investment (FDI), the main external source of private financing, to emerging economies and regions. Amid high interest rates, ongoing geopolitical conflicts and increasing global economic fragmentation, global FDI flows fell in 2023 for the second consecutive year. In Latin America and the Caribbean, FDI inflows totalled US\$ 184.2 billion in 2023, 9.9% lower than in 2022. Although after excluding 2021–2022, average FDI inflows to the region in 2023 are even higher than in the previous decade, they are trending downward from the highs of the early 2010s. FDI in the region is largely concentrated in sectors and countries with abundant natural resources and relatively cheap labour, although skill levels also play a key role, especially in high-tech sectors (ECLAC, 2024b).

While emerging and developing countries' policy instruments have progressively become more diversified, the main incentives for attracting investment are still grounded in tax-related measures. Although tax incentives can influence investment decisions to some degree, they are not enough to attract investment, which requires a diverse mix of factors, including infrastructure, productive capacity, a skilled workforce and a set of complementary activities along the value chain, meaning that efforts to attract FDI must be coordinated with measures usually taken under productive development policies and agendas (ECLAC, 2024b).

In Arab countries, efforts to attract FDI to bridge the persistent savings-investment gap have resulted in a convoluted system of tax exemptions, investment incentives, overlapping laws and treaties, some of which give preferential treatment to foreign investors, allowing them to bypass national laws and domestic legal recourse and seek international arbitration. These measures have failed to attract sufficient FDI or encourage multinational corporations (MNC) activity, which remains focused on capital-intensive sectors with limited job creation, yielding only 2.3 jobs per US\$ 1 million invested. They have also been insufficient to prompt structural transformation, absorb the high unemployment among young people and women, or achieve proportionality between MNC profits and public revenues.

Reinvestment of profits by multinational corporations is minimal, the majority of earnings are shifted out of the Arab region through complex schemes. As a result, FDI inflows have stagnated at just 3% of global flows and are predominantly channelled to rentier sectors. A large share of FDI is unrelated to new cross-border capital inflows, but rather to profits earned on the existing investment stocks at the cost of servicing FDI. New equity from parent companies accounts for a small share of recorded FDI, while loans are tapped from host country domestic financial systems. The lion's share of international finance transactions from 2011 to 2021 were concentrated in non-SDG sectors (56%), particularly fossil fuels and petrochemicals (33%). The only region to maintain a negative net FDI position in the first seven years of the 2030 Agenda, the Arab region has become a net capital exporter since 2011, returning US\$ 1.4 for every dollar of FDI received. This highlights the largely unrecognized inequalities in the global financial architecture.

The substantial volume of remittances received by emerging and developing countries underscores their importance and potential to finance sustainable development. In the receiving countries, remittances are already playing a key role in counterbalancing some of the negative repercussions of outmigration and as a source of income for groups at the lower end of the income distribution curve (Maldonado and Harris, 2023, cited in ECLAC, 2024b). Remittances differ from other flows in that they are highly disaggregated, as migrants themselves transfer the funds to their countries of origin. Remittances are also used for a variety of purposes. Fajnzylber and López (2008) argue that they support growth and poverty reduction in destination countries by providing more funds for private households to invest in their communities. They also increase bank deposits, which can boost commercial lending (ECLAC, 2024b).

However, the high cost of cross-border transfers and the lack of dedicated vehicles limit their development potential and impact. In Arab countries, the high cost of transferring remittances in the region, still more than double the 3% set in SDG target 10.c, resulted in US\$ 14 billion in lost opportunities for households and migrant families between 2015 and 2022. This reflects in part the fact that, by 2022, the Arab region had lost 36% of its correspondent banking relationships. Remittance retention in the region remains low, with US\$ 2.82 flowing out for every dollar received.

## Elements for reform

Addressing these challenges and ensuring that private finance flows at scale towards the Sustainable Development Goals requires a suite of integrated actions by policymakers and regulators. Examples of key actions include implementation of sustainability-focused financial risk management approaches, support to SDG-aligned public-private partnerships, promotion of sustainable financial product development and adoption of sustainable taxonomies and disclosure frameworks underpinned by a sustainable finance roadmap. Clear, coherent and integrated actions by banking and capital market regulators along these lines can signal stability and predictability to investors, enabling long-term investment.

Strengthening the banking sector through a supportive regulatory environment would improve financial intermediation, foster the development of sophisticated financial products and enhance financial inclusion. Stringent collateral requirements and incomplete asset registration systems limit access to credit. Developing appropriate registries is therefore essential.

Efforts should be made to address both supply and demand factors that underpinning the underdevelopment of capital markets. For smaller countries, this effort would benefit from adopting regional standards and integrating market infrastructures. Additionally, focusing on alternative financing sources, such as private equity, could further enhance financing opportunities.

On the supply side, reducing high costs and onerous regulatory requirements can encourage more institutions to raise capital in capital markets. Investors need a sovereign credit rating to assess the risk associated with sovereign bond issues. Lower sovereign ratings lead to a perception of higher risk in emerging markets and developing countries, which is associated with what is known as the perceived credit risk premium levied by investors on sovereign bonds. It is therefore essential to build capacity in sovereign credit rating so that countries can better engage in this process and obtain ratings that are more indicative of their capacity to repay their debts.

On the demand side, there is a need to expand the investor base beyond local banks and build capacity among domestic institutional investors to trade in fixed income instruments. Deepening capital markets, for example through the development of local currency bond markets, could go a long way towards mobilizing more resources for financing inclusive green industrialization, social inclusion and growth-promoting infrastructures that require adequate guarantee schemes against currency and other risks.

To advance financial inclusion, the public and private sectors must work to improve financial and legal institutional frameworks, strengthen economic stability and support the establishment of new instruments for managing economic and financial risk. A new approach to financial inclusion is also needed to channel resources towards the productive sector and development targets. Development banks play an important role in spurring innovation in financing, both directly and in coordination with other banks.

Innovation in development banking may be related to products, processes, or institutional frameworks. Product innovation includes both instruments to facilitate access to the financial system and risk management instruments. Innovation also means expanding the financial network and exercising flexibility in assessing individuals' and companies' solvency. Innovation in public banking also extends to the institutional dimension, where it is a matter of enhancing the complementarity of development and commercial banks and striking an appropriate balance between innovation and regulation.

Traditional business models based on manufacturing exports face increasing challenges: rising fragmentation, near-shoring, friend-shoring, as well as the shift towards services make it more complicated to pursue export-based development strategies that rely on FDI for capital formation. In this context, new investment promotion strategies are essential to attract private capital to key sectors, requiring extended guarantees, solutions to foreign exchange risks, scaling of capital markets and securitization, country-level approaches to improve enabling environments and the promotion of bankable project pipelines.

Against this backdrop, the challenge of attracting and retaining FDI that contributes to sustainable and inclusive development in emerging and developing countries remains as relevant as ever, and countries must make efforts to enact the right kind of policies if they are to attract FDI that supports their development process and the realization of investment potential to build capacities, create quality jobs, transfer technology, and enhance the diversification and sophistication of the production mix. In the productive development policy space, the challenge is to leverage existing advantages to spur transformation of the productive structure by strengthening interlinkages to address the structural challenge of stagnation (ECLAC, 2024b).

The data show that integrated policies that incorporate FDI attraction into a long-term strategy—focused on both efficient resource allocation and effective coordination, while also in line with long-term productive development targets—are more successful at fostering well-being than policies based solely on incentives such as subsidies or tax breaks. From this perspective, policies to encourage investment in productive development should focus on building the coordination capacity of stakeholders and creating mechanisms for multilevel government coordination.

Anticipatory finance is a cost-effective way to address potential financing needs and provide crucial signals for private sector engagement, yet insufficient investment is being directed along SDG pathways. Synergies between sectors such as water and energy, food security and climate resilience, as well as between climate resilience and humanitarian and development cooperation, remain underexploited. Aligning these efforts can pave the way for more comprehensive and sustainable long-term solutions in crisis-affected areas.

As stated in ECLAC (2024b), remittances have the potential to meet development needs that other types of financial flows are less effective at addressing, including by reducing volatility for low-income earners and providing a minimum income, which supports poverty reduction (Beaton and others, 2017). They can also be an important source of financing for micro-, small and medium-sized enterprises (MSMEs) (Catrinescu and others, 2009). As a direct and secure channel for cross-border financing, remittances provide households with funds that would be difficult to obtain through financial institutions, complementing other flows to reduce poverty and support consistent consumption over time. However, economies can reap even greater benefits from remittances if they have suitable institutional structures and policies in place.

Specific policies are required to leverage the potential of remittances to fill development gaps. As an example, lowering transaction costs could further incentivize the flow of remittances to emerging and developing countries. Reducing these costs by increasing digitalization and through other means could boost financial flows. Low-income households' access to digital banking could also be improved for receiving remittances, since they are still mainly sent using cash transactions (Beaton and others, 2017). Finally, the benefits of remittances are largely determined by the regulatory environment (Padilla Pérez, Stezano and Villarreal, 2020). Financial regulations could also further evolve to recognize remittances as collateral for small business loans (CABEI, 2021).

## **F. Monitoring and follow-up modalities**

Effective monitoring of the implementation of the outcomes of FfD4 will require a comprehensive approach to follow-up, monitoring and accountability. The aspects that could be considered in this regard are outlined below.

General Assembly resolution 78/271 of 11 April 2024, entitled “Further modalities of the Fourth International Conference on Financing for Development,” invites the “regional commissions, with the support of regional development banks and other relevant entities, to hold regional consultations, as appropriate, the outcome of which could serve as input to the preparations for the Conference.” In response to this invitation, regional commissions are organizing high-level regional consultations on financing for development.

The role of regional commissions regarding the Fourth International Conference should not be limited to organizing consultations prior to the Conference. Regional commissions, as the regional arm of the United Nations system, can also play an important role in strengthening the follow-up process and ensuring accountability and full implementation of commitments made at the Conference. Existing expertise, platforms and mechanisms can be leveraged to organize dialogues among member States and other stakeholders to chart out regional priorities and needs and take stock of initiatives undertaken as part of the follow-up process.

For example, the ESCAP Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development, which meets every two years, already has a mandate to support “regional cooperation on macroeconomic and financing for development issues and developing common regional positions as inputs to global processes while ensuring regional follow-up to their outcomes”. The discussion regarding the outcome of the Conference and follow-up at the regional level can be a recurring agenda item at this Committee (ESCAP, 2024b).

Co-facilitators should consider including language in the elements paper and the draft outcome document that underscores the role of such existing platforms and mechanisms of regional commissions in strengthening the follow-up process to the Conference (ESCAP, 2024b).

An effective and inclusive institutional framework for monitoring and accountability is needed to track the implementation of the commitments arising from the Fourth International Conference. The institutional framework should ensure alignment between national and regional development plans, as well as effective coordination with the broader global development monitoring frameworks.

Well-defined monitoring and reporting mechanisms with regular reporting schedules from participating countries and organizations are also needed. Reports should be publicly available to ensure transparency. These mechanisms should develop a standardized framework for data collection and reporting to ensure consistency and comparability of policy reforms and implementation progress across countries. Further, it is important that these mechanisms define specific, measurable indicators and benchmarks for each commitment (e.g. tax revenue as a percentage of GDP, progress in financial architecture reforms, SDG financing gaps closed) to track progress. Benchmarks should be set up to assess short-term, medium-term and long-term progress.

An enhanced monitoring and accountability framework could benefit from developing peer review processes for countries and stakeholders to assess progress. This could be modelled after existing mechanisms such as the African Peer Review Mechanism (APRM) or other relevant processes. It is also important to ensure effective modalities for public accountability and civil society engagement. This could involve public consultations, feedback mechanisms and platforms for civil society organizations to report on-ground realities.

Lastly, the Conference might consider review processes such as mid-term review conferences to assess progress, identify challenges and adjust strategies and commitments as necessary. These reviews could also serve as a platform for sharing best practices and lessons learned. Further, given the unpredictability of the global economy, commitments undertaken at the Conference may require the development of flexible mechanisms to adjust commitments or strategies in response to unforeseen challenges, such as global or regional shocks.



### III. Conclusion

Addressing twenty-first-century sustainable development challenges requires a fundamental recalibration of the post-war financial architecture, which perpetuates inequitable access to and distribution of financing. This recalibration is essential to ensure that all countries, particularly those in the Global South, can adequately access the financing required for sustainable and inclusive growth. The current system, shaped by diverse interests and instruments developed in various plurilateral formats, undermines the multilateral system of governance and creates implementation gaps that compromise outcomes. In this vein, the global tax, debt, investment, banking and climate finance ecosystems should be reassessed to address misalignments and injustices in the distribution of financing outcomes.

To ensure systemic reform, the principles of transparency, responsiveness, universality, systemic transformations, equity and distributive development (TRUSTED) offer potential pathways to an inclusive and effective global financial system that reflects shared but differentiated modalities to address asymmetric needs and implementation capacities. A universal financing accountability framework should be considered to ensure continuous monitoring and follow-up of financing for development commitments beyond current self-reporting processes or configurations. Modelled after the Human Rights Council's Universal Periodic Review, this framework would hold countries accountable for their financing for development commitments, with regular reporting to the Economic and Social Council for follow-up action and progress evaluation. The Inter-Agency Task Force on Financing for Development should explore options to enhance its operational modalities. This could include evolving into a nimbler, yet enduring structure that reflects regional perspectives with a dedicated support unit, akin to models employed by United Nations bodies. Another option is to consider the establishment of open-ended thematic working groups similar to the discussion groups that led the substantive preparation of the menu of options that emerged from the Initiative on Financing for Development in the Era of COVID-19 and Beyond, which were led in rotation and tasked with monitoring financing for development commitments.

Existing multistakeholder regional financing platforms for SDG pathways could be leveraged or new ones established to scale up bankable projects and foster joint actions that drive coordinated efforts on SDG transition pathways. These platforms must closely coordinate with regional intergovernmental organizations and institutions to ensure effective collaboration and alignment with regional development plans and priorities. They can offer tailored solutions to meet regional needs, including regional risk mitigation mechanisms, insurance or guarantee schemes and collective regional SDG bonds, with a view to reducing investment risks and incentivizing private sector engagement in critical sectors. By streamlining and advancing the implementation of global commitments at the regional level, these platforms would serve as a forum to promote peer learning, consolidate capacity-building efforts, harness South-South cooperation to maximize impact and promote sustainable development.

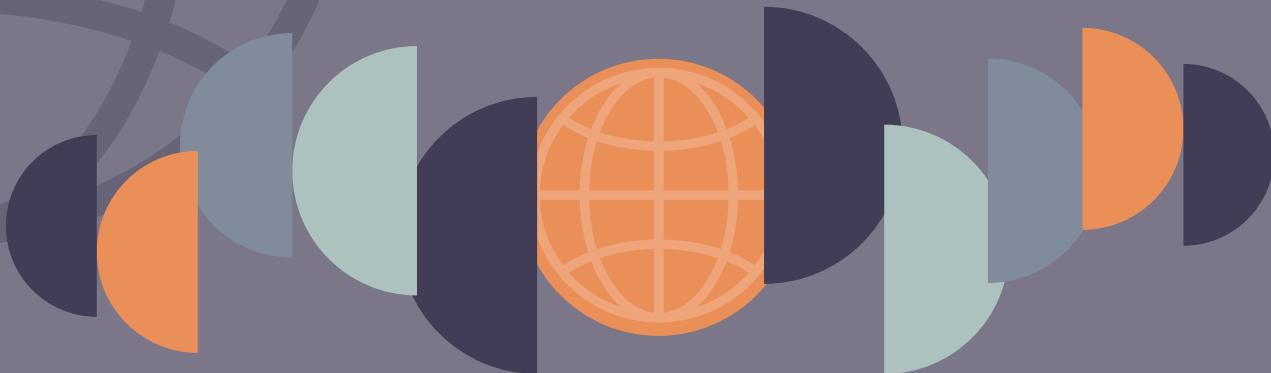
Regional commissions host a variety of intergovernmental platforms addressing issues related to various aspects of the financing for development agenda. They also have relevant normative frameworks that often include mechanisms to assess progress and guide action in different areas. The existing intergovernmental architecture and normative outputs could be effectively used to monitor progress on future financing for development commitments and to drive further action. Furthermore, regional commissions could provide impetus to the revamped resident coordinator system and become the research and policy backbone of the system. They should provide policy advice and advance regional standards, frameworks and impact metrics on financing for development. Strengthening the role of regional commissions would pave the way for consensus-building at the global level and foster greater collaboration and coherence in addressing emerging transboundary financing bottlenecks, shortfalls and inequalities.

## Bibliography

- Beaton, K. and others (2017), "Migration and remittances in Latin America and the Caribbean: engines of growth and macroeconomic stabilizers?"; *IMF Working Papers*, No. WP/17/144, Washington, D.C., International Monetary Fund (IMF).
- BRICS (Brazil, Russia, India, China and South Africa) (2023), "Johannesburg II Declaration BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism"; XV BRICS Summit [online] <https://brics2023.gov.za/wp-content/uploads/2023/08/Jhb-II-Declaration-24-August-2023-1.pdf>.
- CABEI (Central American Bank for Economic Integration) (2021), *Remittances in Central America: The Role of CABEI*, Tegucigalpa.
- Catrinescu, N. and others (2009), "Remittances, institutions, and economic growth", *World Development*, vol. 37, No. 1, January.
- Climate Bonds Initiative (2024), *Sustainable Debt Global State of the Market 2023* [online] <https://www.climatebonds.net/resources/reports/global-state-market-report-2023>.
- Coulialy, B. S. (ed.) (2024), *Reforms for a 21st Century Global Financial Architecture: Independent Expert Reflections on the United Nations 'Our Common Agenda'*, Global Economy and Development Program, Brookings Institution.
- ECLAC (Economic Commission for Latin America and the Caribbean) (2024a), *Fiscal Panorama of Latin America and the Caribbean, 2024* (LC/PUB.2024/5-P), Santiago.
- (2024b), *Development Traps in Latin America and the Caribbean: Vital Transformations and How to Manage Them* (LC/SES.40/3-P/-\*), Santiago.
- (2023), *Public debt and development distress in Latin America and the Caribbean* (LC/TS.2023/20), Santiago.
- (2021), *Development in transition: concept and measurement proposal for renewed cooperation in Latin America and the Caribbean* (LC/TS.2021/95/Rev.1), Santiago.
- ESCAP (Economic and Social Commission for Asia and the Pacific) (2024a) *Economic and Social Survey of Asia and the Pacific 2024: boosting affordable and longer-term financing for governments*, Bangkok, United Nations.
- (2024b), "Key financing policy issues and suggestions: perspectives from Asia and the Pacific. Inputs to the elements paper for the Fourth International Conference on Financing for Development", Bangkok, 15 October.
- ESCWA (Economic and Social Commission for Western Asia) (2024a), *Arab Financing for Development Scorecard: Domestic public resources* (E/ESCWA/C.9/2023/5) [online] <https://www.unescwa.org/sites/default/files/event/materials/6%20%28b%29%20-%20Domestic%20public%20resources.pdf>.
- (2024b), *Arab Financing for Development Scorecard: International development cooperation* (E/ESCWA/C.9/2023/5(Part V)) [online] <https://www.unescwa.org/sites/default/files/event/materials/6%20%28e%29-%20International%20development%20cooperation.pdf>.
- (2024c), *Arab Financing for Development Scorecard: Foreign direct investment* (E/ESCWA/C.9/2023/5(Part III)) [online] <https://www.unescwa.org/sites/default/files/event/materials/6%20%28c%29%20-%20Foreign%20direct%20investment.pdf>.
- (2024d), *Arab Financing for Development Scorecard: International private finance remittances* (E/ESCWA/C.9/2023/5(Part IV)) [online] <https://www.unescwa.org/sites/default/files/event/materials/6%20%28d%29-%20International%20private%20finance%20remittances.pdf>.
- (2023a), "Informal middle-class workers: the missing middle"; *Working Paper Series on the Middle Class* [online] <https://www.unescwa.org/sites/default/files/inline-files/middle-class-arab-countries-working-paper-4.pdf>.
- (2023b), *Survey of Economic and Social Developments in the Arab Region 2022-2023* [online] [https://www.unescwa.org/sites/default/files/pubs/pdf/survey-economic-social-developments-arab-region-2022-2023-english\\_0.pdf](https://www.unescwa.org/sites/default/files/pubs/pdf/survey-economic-social-developments-arab-region-2022-2023-english_0.pdf).
- (2023c), *Annual SDG Review* [online] <https://publications.unescwa.org/2023/sdgs-review-2023/index.html>.
- (2021), *Realities and Prospects. Survey of Economic and Social Developments in the Arab Region 2020–2021* (E/ESCWA/CL3.SEP/2021/1), Beirut.
- (2021b), *Towards an Arab financing for development framework* (E/ESCWA/C.9/2021/11).
- (2021c), "Liquidity shortage and debt: Obstacles to recovery in the Arab region", *Policy Brief*, No. 3 (E/ESCWA/CL3.SEP/2021).
- (2022), "Arab policy choices and financing opportunities in a new world tax order, 2022", *Policy Brief*, No. 2 (E/ESCWA/CL3.SEP/2022).
- Fajnzylber, P. and J. H. López (eds.) (2008), *Remittances and Development: Lessons from Latin America*, Washington, D.C., World Bank.
- G20 (Group of 20) (2023), "G20 Roadmap for the Implementation of the Recommendations of the G20 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks" [online] [https://cdn.github.org/umbraco/media/5355/g20\\_roadmap\\_for\\_mdbcaf.pdf](https://cdn.github.org/umbraco/media/5355/g20_roadmap_for_mdbcaf.pdf).

- G24 (Intergovernmental Group of Twenty-four on International Monetary Affairs and Development) (2024), "Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development Communiqué," 16 April [online] <https://g24.org/wp-content/uploads/2024/07/ENG-G-24-2024-Spring-Meetings-Final-Communique.pdf>. IMF (International Monetary Fund) (2024), *IMF Annual Report 2024: Resilience in the Face of Change*, Washington, D.C.
- (2020), "The international architecture for resolving sovereign debt involving private-sector creditors: recent developments, challenges, and reform options," *Policy Paper*, No. 2020/043.
- Jacobs, D. (2024), "Beyond crises: the future of special drawing rights as a source of development and climate finance," *Briefing Paper*, Oxfam International.
- Léautier, F. and others (2022), *Boosting MDBs' Investing Capacity: An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks*, Group of 20 (G20) [online] [https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti\\_it/rapporti\\_finanziari\\_internazionali/rapporti\\_finanziari\\_internazionali/CAF-Review-Report.pdf](https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti_it/rapporti_finanziari_internazionali/rapporti_finanziari_internazionali/CAF-Review-Report.pdf).
- Maldonado, R. and J. Harris (2023), *Remittances to Latin America and the Caribbean in 2023: Consolidating Long-Term Trends*, Washington, D.C., Inter-American Development Bank (IDB).
- Merling, L. (2022), "No voice for the vulnerable. Climate change and the need for quota reform at the IMF," *Global Economic Governance Initiative Working Paper*, No. 057, Boston University.
- Padilla Pérez, R., F. Stezano and F. G. Villarreal (2020), "Fostering investment of family remittances in value chains: case studies in the Dominican Republic, El Salvador and Guatemala," *Project Documents* (LC/TS.2020/102-LC/MEX/TS.2020/26), Mexico City, Economic Commission for Latin America and the Caribbean (ECLAC).
- Roubini, N. (2002), "Do we need a new bankruptcy regime?," *Brookings Papers on Economic Activity*, No. 2002/1.
- Salazar-Xirinachs, J. M. and M. Llinás (2023), "Towards transformation of the growth and development strategy for Latin America and the Caribbean: the role of productive development policies," *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- UNCTAD (United Nations Trade and Development) (2024), *A World of Debt*, (UNCTAD/OSG/TT/INF/2024/1), Geneva.
- United Nations (2024a), *Promotion of inclusive and effective international tax cooperation at the United Nations* (A/RES/79/235), December.
- (2024b), *Financing for sustainable development. Note by the Secretary-General* (E/FFDF/2024/2), New York.
- (2023), "Reforms to the international financial architecture," *Our Common Agenda Policy Brief*, No. 6, New York.





This policy brief, prepared by the five United Nations regional commissions, identifies the critical challenges faced by emerging and developing countries in closing the financing gap to achieve the Sustainable Development Goals (SDGs). It highlights systemic shortcomings in the global financing framework, including unmet development finance commitments, high public debt and a financial system misaligned with sustainability needs. The brief outlines key strategies for reform, focusing on enhancing domestic public resources, improving debt sustainability and fostering inclusive economic growth. It emphasizes the need for stronger tax collection mechanisms, better debt management frameworks and increased international cooperation to combat tax evasion and illicit financial flows. Additionally, it calls for the reform of global economic governance to ensure fair representation of developing countries in international financial institutions. The brief also advocates for leveraging private finance, including through the issuance of thematic bonds and the facilitation of remittances, to support development goals. Overall, the document underscores the urgency of systemic reforms to mobilize resources effectively and accelerate implementation of the 2030 Agenda for Sustainable Development.

