The Global Imperative to Deliver Ambitious Outcomes in Seville: A New Constructive Multilateralism and Concrete Steps Forward on Financing

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1. Introduction

The Fourth International Conference on Financing for Development (FfD-4) to be held from June 30 to July 3, 2025, in Seville provides a unique opportunity to reform the international financial architecture and address financing challenges preventing the investment push urgently needed for achieving the SDGs. And yet, this conference takes place at a time of increasingly turbulent international relations, growing uncertainty and geopolitical tensions, aid budget cuts in many countries and upheavals in multilateralism – which all challenge the achievement of a consensus around the ambitious financing framework and strong reform agenda that would need to be delivered in Seville.

Spain - the hosting country of the Conference - and the United Nations are doing exactly the right thing to navigate this situation and boost the chances of delivering positive results in Seville. While they continue to negotiate the Seville outcome document with the 193 United Nations' Member States, they are also creating a space where groups of countries, or coalitions of the willing, can announce and launch new initiatives to move forward specific elements of the financing for development agenda. This space is called the Seville Platform for Action (SPA).

This approach - giving space to coalitions of the willing that bring together like-minded partners rather than focusing solely on moving the whole international community at the same time – may be the only viable path in the geopolitical context that has been emerging since the start of this year with the significant shift in the international stance of the United States. But it may also be a necessary step in the journey of the global community towards new, more inclusive and effective forms of multilateralism and, as Pezzini and Manservisi argue in their paper in this same issue, a necessary phase of experimentation in the transition of the Bretton Woods institutions and of multilateralism more at large to become more representative of the global community and fit to address the new challenges and realities of the

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21st century – the importance of which has become apparent much earlier than January this year.

Indeed, world leaders crystalised the need to reform the international financial architecture during the Summit for a New Financial Pact (NFP) called by France in June 2023, where they created the Paris Pact for People and the Planet, or 4P (recently renamed as Pact for Prosperity, People and the Planet to emphasize its global membership) with the aim to overcome historical divides and accelerate joint efforts in this direction. The 4P builds on several other calls to action, like the Bridgetown Initiative developed under the powerful leadership of the Prime Minister of Barbados Mia Mottley, who voiced with unprecedented volition the aspirations for a comprehensive reform of the financing mechanisms for global development and the fight against climate change. The creation of the 4P had the value of effectively bringing together the so-called Global North and Global South on this agenda, and of doing so in a very action-oriented fashion and by enabling agile forms of co-operation.

The 4P Community - which today comprises 73 countries, more than double the number of countries who had joined at the NFP - partners up in a flexible and voluntary manner, including through operational coalitions bringing together varying geometries of countries to move the needle on specific aspects of the international financial architecture reform. These coalitions include for instance: the Expert Review on Debt, Nature and Climate led by Colombia, Kenya, France and Germany; the Global Solidarity Levies Task Force led by Barbados, Kenya and France; the Coalition on Climate Resilient Debt Clauses; the Global Roadmap on Biodiversity Credits; the Capacity for Climate Action Alliance (C3A), and more.

Through its inclusive and voluntary platform and its coalitions, the 4P provides an innovative laboratory for constructive multilateralism and a tangible example of the effectiveness of the coalitions-of-the-willing model for advancing specific aspects of the reform agenda. In Seville, the international community can capitalise on these positive examples and will need to double down on efforts to strengthen forms of constructive multilateralism to chart a positive way forward.

2. Elemeats of Financing

But what are the main substantive elements on financing that need to be delivered in Seville?

While the list is long, I will focus on five main priorities.

First, a critical issue, and one on which agreement in the FfD-4 negotiations is lagging behind, is certainly around debt.

The debt challenges facing many developing countries are reaching new heights: the latest figures point to interest payments exceeding 10 per cent of government revenue in 56 developing countries – nearly double the number from a decade ago. In 2023 developing economies' total external debt servicing reached a record USD 1.4 trillion.

The final report of the Expert Review on Debt, Nature and Climate can offer some helpful insights on this matter. The report was produced by an independent group of over 20 experts co-chaired by Vera Songwe, former UN Assistant Secretary General, and Moritz Kraemer, former Chief Ratings Officer at S&P Global.[1] In a context where the impacts of climate change and biodiversity loss are becoming more severe and responses to climate and natural disaster shocks can weigh heavily on vulnerable countries' public budgets and their ability to repay debt and continue investing in drivers of future growth, the report sheds light on the interlinkages between debt vulnerabilities and climate/nature vulnerabilities. One of the key recommendations of the report is around the need to better integrate the risks and opportunities linked to climate impacts and nature loss in macroeconomic and fiscal frameworks, and in particular to integrate them in the IMF Debt Sustainability Analysis framework currently under review.

The report also calls on expanding the offer and use of contingent-borrowing instruments, such as debt-pause clauses. These instruments can effectively help create fiscal space in the event of natural disasters and other shocks by enabling an automatic postponement of debt repayments in the event of the pre-identified shock(s). At the political level, debt pause clauses have been strongly advocated for by the Bridgetown Initiative launched by the Prime Minister of Barbadors Mia Mottley, and a Call to Action to propel their offer was launched at the Summit for a New Global Financial pact that originated the 4P. While a few bilateral and multilateral official lenders now offer debt pause clauses, their uptake remains overall limited. In the current context of widespread budget cuts, it seems non-sensical that the international community does not do more to scale-up these instruments, which bear no additional cost for the lender and can in turn make a real difference to borrowers in the event of shocks. It is therefore, commendable that under the leadership of Spain, the Seville Platform for Action will include a debt pause clause alliance to further efforts in this area. The 4P and its members and partners, especially UK and the Inter-American Development Bank, will contribute to this work with a concrete implementation actions aimed at broadening the offer of debt pause clauses including from private lenders; fostering the adoption of good practices to ensure terms and conditions are not penalising for borrowing countries; and exploring the integration of insurance products to move from debt repayment suspension to risk transfer.

3. Private Investment

It is also essential that Seville delivers actions to ensure that more private capital is invested for development, climate, and nature in developing countries. To reach carbon neutrality and the SDGs by 2050, USD 2 trillion will need to be invested in developing countries. And yet, while there is no shortage of capital in the system, in 2023, net financial flows to many developing countries became negative, implying a net transfer of resources from developing economies to developed countries. Unlocking more private investments in developing countries will hinge on a plethora of factors. Some are domestic, and, therefore, in Seville the international community has a role to play for instance to help strengthen the domestic enabling environment - including enhanced transparency, good governance, anti-corruption measures – as well as efforts to accelerate the development of domestic financial sectors, building a domestic savings base and strengthening the domestic banking sector.

But enhancing the flow of private finance to developing countries ultimately requires a better alignment of global economic and financial incentives to the global objectives on sustainable development, climate and nature. It also requires an assessment of how systemic issues and global financial frameworks may be impacting developing countries. For instance, recent research suggests that prudential and financial regulations designed with the intent to promote stability and sustainability in the global financial system may be unintentionally restricting investment flows to EMDEs may be unintentionally restricting investment flows to EMDEs. Under both banking and insurance regulatory standards, treatment of EMDE exposures and the use of risk mitigation instruments provided by multilateral institutions may not accurately reflect actual risk profiles. This may be having an impact on financing in critical sectors like infrastructure, green energy, and technology. International progress in strengthening the global regulatory architecture has made the financial system safer and more resilient. And preserving and protecting global financial stability must remain a fundamental priority for financial regulation. However, if investments in EMDEs have a prudential treatment which exceeds the underlying level risk this could cut across policy objectives to increase private capital mobilization in EMDEs and wider climate objectives without providing necessary increases in microprudential or macroprudential resilience. Therefore, building on the 4P G20 discussion paper, and the B20 report on finance and infrastructure which recommended updates to prudential capital requirements for banks, insurance companies and pension funds to better reflect risk of investment in EMDEs – it seems necessary to further investigate these issues. It is positive that the current draft of the FfD-4 outcome documents includes a reference to this issue. To concretely advance this agenda, the 4P aims to launch in Seville a 4P Expert Commission – which will include experts from central bankers, regulators, insurers and investors – to conduct a comprehensive review of barriers to investments in EMDEs with a focus on potential unintended consequences of financial and prudential regulations on investments in EMDEs. The Expert Commission will provide recommendations to inform the G20, work in individual jurisdictions, and the Baku to Belem Roadmap for COP30.

4. High Costs of Capital

Addressing high costs of capital in developing countries and possible misalignments between real and perceived investment risks is also an issue requiring concrete advancements in Seville. The current FfD-4 outcome document encourages credit ratings to be more transparent, accurate, objective, and oriented towards the long term. Indeed, ratings issued by credit rating agencies, export credit agencies and ESG providers are a major driver of cross-border capital flows. A negative rating can have profound repercussions for a country's ability to invest in development, climate and nature. This is why in 2024 the 4P contributed to raise awareness on these issues and provided evidence and recommendations to enhance the transparency and accuracy of credit ratings and country risk assessments in a 4P discussion paper for the G20, which contributed to a commitment by the G20 to increase the transparency of credit ratings and country risk assessments (G20 Rio de Janeiro Leaders Declaration, para #45; and G20 Task Force CLIMA outcome document and Ministerial Statement, para #15). This result built on the 4P Leaders Communiqué endorsed in September 2024, where 17 4P Heads of States and government affirmed the need to develop a roadmap and establish a constructive dialogue with regulators, credit rating agencies, private investors, governments, local and regional development banks and other players to enhance the transparency and accuracy of credit ratings and country risk assessments. In 2025, the 4P is continuing to work on the implementation of this commitment, and aims to launch in Seville a 4P Dialogue on Export Credits and Country Risk Assessments intended to provide a space for exchange and mutual learning bringing together export credits beneficiary countries, OECD countries and export credit agencies, and other relevant partners to identify concrete measures to enhance the transparency of country risk assessments and enhance the impact of export credits for development, climate and Nature in EMDEs.

The array of financing sources for sustainable development needs to grow. In Seville, the international community has an opportunity to scale up innovative sources of financing. In this context, there is an emerging consensus that a key area of reform to generate new and additional resources for international climate and development finance relates to new forms of taxation know as solidarity levies. Levies on polluting yet undertaxed sectors of the economy and sectors benefiting hugely from globalisation – such as fossil fuels, maritime shipping, international aviation and financial services, among others – have enormous potential to mobilise new, additional, predictable and adequate financial resources without worsening existing debt burdens. The Global Solidarity Levies Task Force under the 4P umbrella led by Barbados, Kenya, and France points that many options for solidarity levies could easily generate more than USD 100bn per year, with the cumulative revenue generation from a set of solidarity levies could exceed USD 500bn per year in a high scenario. In Seville, coalitions will be launched to spearhead efforts on specific individual levies.

Finally, Seville will also offer an opportunity for a renewal in how concessional finance is provided and allocated. A critical aspect will be ensuring vulnerabilities can be better taken into account in the allocation of official development assistance (ODA), beyond considerations on gross national income alone which may hide important fragilities and risks. The recognition of multidimensional vulnerabilities in concessional allocations has been a long-standing demand of Small Islands Developing States (SIDS), as they are especially vulnerable to natural and climate disasters, disruptions of global trade and supply chains. Vulnerability to exogenous shocks often comes together with a limited capacity to build resilience in an already fragile economic context. The Multilateral Development Banks (MDBs) Vision Statement supported by 52 partners from the 2023 Summit for a New Global Financial Pact, and in the presence of 12 major international and financial institutions, called on MDBs to explore eligibility to concessional finance for the most vulnerable countries with a multidimensional approach to vulnerability, encompassing economic, environmental and social dimensions. Building on this proposal and on the Bridgetown initiative (now Bridgetown 3.0), the Pact for Prosperity, People and the Planet (4P) aims to launch as part of the Seville Platform for action a Dialogue on a Tailored Approach to Multidimensional Vulnerabilities that may explore convergent definitions of vulnerability, building on the Multidimensional Vulnerability Index (MVI) and lead to the adoption of tailored approaches for taking vulnerability into account in the allocation of concessional finance.

Two years after the Summit for a New Global Financial Pact, the international community needs to uphold its commitment to forging a financial architecture that delivers for people and the planet and affirm a reinvigorated spirit of constructive multilateralism to face current hurdles and achieve inclusive, equitable, and sustainable development. Seville is a unique opportunity to do so.

Endnote

1 ODI, ECLAC and Development Finance Lab provided a Secretariat to the Expert Review, which was launched under the 4P umbrella.