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The Demand for a Fair International Financial Architecture

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"Occasionally, the fields of economic policy and foreign policy converge. We are back in one of those phases of history and will remain so for some considerable time. After prolonged geopolitical peace, that will challenge specialist policymakers used to inhabiting segmented spheres…"

Sir Paul Tucker, Global Discord (2022)[1]

Executive Summary

This working paper offers a critical examination of the Global South's proposals for international financial architecture (IFA) reform through a systematic survey and analysis of official statements delivered by government officials. We focus on perceptions of unfairness and how these perceptions are driving proposals for transformation.

No single State or coalition speaks for or represents the Global South. Proposals to reform the international financial system and its governance architecture are founded on a variety of views, perceptions, and historical contexts. However, there is a broad consensus among countries from the Global South on the need for IFA reform. Historical and recent financial shocks have revealed significant vulnerabilities within the IFA, validating the call for a system that is more responsive to change and which provides greater process and outcome equity.

The Global South acknowledges the value of global institutions, and the need for effective multilateral cooperation to deliver public goods and address global challenges. Safeguarding future generations requires more global solidarity and cooperation rather than less. The challenge lies in better matching finance flows to needs and improving the agility of international financial institutions without sacrificing integrity by compromising safeguards.

The broad agreements that have emerged across the Global South help us understand the outcomes sought through the ongoing IFA reform effort. These outcomes are captured in a six-part framework—the six outcomes include enhancing representation (Space), increasing the speed and agility of response (Speed), ensuring the scale of financial support meets real needs (Scale), securing sustainable and affordable financing (Sustainability), fostering global solidarity (Solidarity), and promoting economic self-reliance (Self-reliance). These are presented as an inventory of outcomes rather than a hierarchical list.

More concretely, the Global South seeks:

- **Space**: often shortened to the expression 'a seat at the table,' i.e. increased participation for underrepresented countries or groups in international financial institutions as a way of amplifying voice and representation.
- **Speed**: the IFA needs to adapt and respond more rapidly to increasingly complex global challenges. Agility is required in three dimensions: quickly halting resource outflows (**extractive**); quickly injecting/accessing resources (**additive**); and quickly adapting institutions to respond to global challenges and to reflect the changing global economic landscape (**adaptive**).
- **Scale**: an increase in the scale of funding available to ensure Global South countries can meet global climate goals, maintain Sustainable Development Goal commitments, and address the ongoing debt crisis.
- **Sustainability**: debt sustainability is central to IFA reform and includes reducing the debt service burden, improving lending rates, and enhancing the transparency of financing instruments and processes.

- **Solidarity**: an IFA that pools resources efficiently and fairly through reforms to international taxation, new metrics to determine access to concessional finance, and a balanced approach to tackling global challenges that acknowledges the uphill challenges faced by the Global South in achieving a just energy transition, eliminating poverty, and reducing inequalities.
- **Self-reliance**: support for new institutions in the Global South that serve the Global South, including internal reforms with respect to the efficacy of macroeconomic policy planning and strengthening domestic revenue mobilization.

We expect a focus on outcomes will lead to a more constructive dialogue on IFA reform ahead of upcoming international summits such as the 2024 Summit of the Future, the 4th International Conference on Financing for Development, and the 2025 World Social Summit.

The paper also stresses the need to prioritize political commitments in upcoming international summits that address these broad outcomes sought by the Global South. Several recommendations are offered in this regard:

A Political Push

Owing to the breadth and ambition of the Summit of the Future agenda, the possibility of achieving detailed reforms may be limited. The goal should be to get a political push on enough high-level commitments. Drawing on the outcomes framework in this paper, we propose that a leaders' recommendation for the Pact for the Future could, in the first instance, commit to pursuing actions in relevant bodies and institutions that support the transformation to a more agile IFA that delivers sustainable, affordable finance at the scale and speed needed through a renewed commitment to solidarity and to initiatives that support greater economic self-reliance.

Commit to Speed, if Nothing Else

A leaders' declaration should commit to delivering a more responsive financial system. Such a system would more quickly and automatically suspend debt payments, inject resources, and adapt to account for new vulnerabilities and changes in the global economic landscape. This should be a time-bound commitment emulating the commitments in the zero draft of the Global Digital Compact—the IFA of 2030 must move more swiftly than the IFA of 2020. The cost of inaction or slow action are unacceptable to most of the world's population, not just citizens of the Global South.

Acknowledge Dependencies

If the Summit of the Future is to be successful, we must recognize the interconnected nature of various reform proposals and the need for a comprehensive approach that addresses the interdependencies between them. Acknowledging these dependencies will help identify possible brakes ahead at major summits and result in more targeted proposals for change. Establishing a global, public, and transparent clearinghouse of reform proposals would go a long way to improving understanding of changing priorities, innovative proposals, and emerging support for change. It can also help map impact pathways associated with leading reform proposals. One such example is the 'MDB reform tracker' launched by the Center for Global Development which offers a comprehensive tool to help shareholders, managers, and other stakeholders evaluate progress as objectively as possible. This approach should be extended to the full range of IFA reform proposals.

Anticipate Substantive and Process Complexity

The proliferation of forums, platforms, and conferences aimed at reforming the IFA can overwhelm institutions which are confronted with an increasingly long list of reform proposals. With so many options now available to decision-makers, it is not immediately clear where they will choose to pursue the most meaningful reforms. This is a particularly daunting situation for smaller countries, which struggle to keep track of many fragmented points of dialogue yet have a great deal at stake. Policymakers should support tools that help overcome the complex landscape of IFA reform by promoting a clear understanding of priorities, innovative proposals, and momentum for change. Coordination across government ministries active in different dimensions of these negotiations will be crucial, as will coordination across the United Nations system (which includes Bretton Woods Institutions (BWIs)) to avoid misunderstandings across a range of complex, technical subject matter.

Debt: A Benchmark for Success

The reform of the international debt architecture is a critical measure of the success of IFA reform efforts. Considerable progress can be made by committing to (a) improving the efficacy, transparency, and accountability of credit rating agencies and encourage the ongoing dialogue between Multilateral Development Banks (MDBs), credit rating agencies, and shareholders through the Global Sovereign Debt Roundtable and the G20; (b) supporting the establishment of borrowers' clubs; (c) strengthening the link between climate, nature, and debt while ensuring appropriate transparency and safeguards; (d) committing to debt restructuring options for middle-income countries in debt distress; and (e) redoubling efforts to ensure that new loans contain robust contingency clauses that protect countries in the event of unforeseen shocks.

A Minimum Guarantee

The Pact for the Future could deliver a *minimum guarantee* to show that the concerns of the Global South have been acknowledged and will be pursued in parallel forums. This minimum guarantee could:

a) acknowledge a representation imbalance in International Financial Institutions (IFIs);
b) offer assurance that the international community will preserve and strengthen the voice of the world's poorest countries in the IFA;
c) commit to implementing techniques to better direct development finance (e.g. MVI);
d) commit to financing the achievement of the SDGs; and
e) commit to mobilizing and directing resources to where they are needed most during a crisis.

Section 1 | Scope

This working paper considers the perspectives of countries in the 'Global South' on the reform of the international financial architecture (IFA). While countries within the Global South maintain a wide range of national positions, most tend to view the current IFA as unjust, unfair, and inequitable. There is a widespread perception that the international financial system does not serve the interests of the global majority or the most vulnerable in the international community.[2] The international financial system is seen, on balance, as the preserve of its post-WWII architects. Its response to both new and legacy development challenges has been slow and uneven, and it has been unable to prevent spillovers from global crises.[3] This is the foundation for the Global South's call for IFA reform.

These are neither new nor particularly controversial statements. Since the collapse of the Bretton Woods monetary system in the late 1970s, there have been calls by the Global South to establish a new global economic order.[4] The Group of Twenty-Four on International Monetary Affairs and Development (G-24), created in 1971 to provide proposals on the provision of international liquidity, have over many years provided a counterbalance to developed countries in the international financial system, frequently challenging the distribution of power and representation in the IFA's key institutions. At the United Nations, several groups, including the G77 and the Non-Aligned Movement (NAM), have similarly attempted to provide alternative perspectives on the role of international finance to secure development outcomes.

Although groups such as the G24, G77, and NAM, have played an important role in advocating for developing country interests, there is no single State or coalition that speaks for the Global South. Calls for IFA reform are based on diverse views – some specific to certain countries, and others representing broader coalition positions.

This working paper disaggregates these views by country, coalition, and region to spotlight differences and areas of broad agreement that will support debates on IFA reform at upcoming international summits, such as the 2024 Summit of the Future, the 4th International Conference on Financing for Development, and the 2025 World Social Summit.[5]

The authors surveyed official statements delivered by government officials on aspects of the IFA, which were included in policy documents, in media and expert reports, or delivered orally in the context of ongoing negotiations at major international conferences. These statements are made available in footnotes throughout this paper.

There are clear limitations to analysis based primarily on public positions taken by groups with very diverse membership, such as the G77, G24, and the V20. To begin with, differences among constituent States in such coalitions may be more widespread than their public pronouncements initially suggest. At the G77 conference in September 2023, Sri Lankan Foreign Minister Ali Sabry observed that while the Group has called for reforms to the global financial architecture, member countries had "yet to develop a concrete strategy."[6] He went on to note that the position of the G77 on this issue "has changed over time and varies among [our] member nations based on their individual requirements and priorities."[7]

Membership 'overlaps' across coalitions complicate the attribution and analysis of Global South perspectives. The evolution of these coalitions matters as do their changing dynamics over time. On some topics, countries that identify as belonging to the Global South may have more in common with their 'Western' counterparts than with small and middle-sized developing or emerging economies.

Notwithstanding these caveats, it is important to note that a number of reform positions are gaining support and broad acceptance among influential blocs of Global South countries. This is why a report of this kind was deemed necessary. Understanding these common positions, as well as areas of divergence, will provide a foundation for more effective IFA reform.

The authors acknowledge that the terms 'Global South' and 'Global North' are contested designations, which some suggest are conceptually incoherent and risk reinforcing inaccurate and outdated dichotomies and stereotypes.[8] The expression Global South offers a compelling but misleading simplicity, according to Comfort Ero, President of the International Crisis Group.[9] Many others defend the continued use of the term because it captures a common ethos and provides agency for countries and coalitions that see value in the term and have commonalities across the developing world.[10] Because the expression has currency among developing countries and the UN, it is the lens through which this report explores calls for IFA reform.

Section 2 | Momentum Amidst Fragmentation

Every decade or so, a major shock unsettles the international financial system. These shocks frequently take policymakers by surprise and expose overlooked vulnerabilities.[11] The collapse of the Bretton Woods monetary system in the 1970s was hastened by oil and food shocks and a rapid spike in global inflation.[12] It led to the creation of the Group of Seven (G-7) and a collective desire to improve macroeconomic policy coordination. The 1994 Mexican 'Peso' crisis several decades later prompted innovations to sovereign debt workout mechanisms. The Asian financial crisis of the late 1990s and global financial crisis of the 2000s also reshaped the international financial system. The international community responded to the latter crises by agreeing to a new division of labour among IFIs and strengthened prevention and surveillance capacities. The G20 also assumed a new leadership role in global economic policy coordination.

> "… financial law—whether domestic or international—has always developed as a child of crises."
>
> **Mario Giovanoli** (2009)[13]

In 2020, the COVID-19 pandemic kicked off another financial crisis that triggered sharp currency depreciations, massive capital outflows, steep increases in inflation and sovereign debt, and disrupted cross-border trade. Russia's invasion of Ukraine compounded these pressures. Still recovering from the 2007–08 global financial crisis, the global financial system struggled to cope. The slow and uneven international response to these events resulted in a more insecure world and fueled perceptions of inequity, which is driving renewed calls for IFA reform.

An Upgrade

The IFA has developed over many decades. It is the product of agreements, compromises, and ad hoc arrangements put in place to respond to crises, development needs, and shifting power dynamics in the global economy.[14] A common view is that these arrangements must undergo another fundamental upgrade. The ideal place, pace, and scope of this transformation is the subject of much speculation. Whether this transformation will be delivered in New York, Washington, or a G20 capital is unclear. The most likely scenario is a series of regional and global events that ratchet up pressure, as opposed to one landmark 'reform moment.'[15]

Increased activism by States and more serious engagement by the leaders of IFIs on IFA reform has elevated this topic in global policy agendas and resulted in a proliferation of specific reform proposals. Examples include the Evolution Roadmap, spearheaded by the President of the World Bank, and the Bridgetown Agenda brokered by the Prime Minister of Barbados, Mia Mottley.

Owing to these initiatives, the *what*—or scope of the reform agenda—is now clearer than the *where* and *when*.

Coalitions of the Global South generally agree on a reform agenda that redistributes power, wealth, and privilege, but their specific priorities and approaches vary. This redistribution is generally framed as a matter of justice: a duty to make the international financial system more legitimate by addressing specific imbalances. It is also commonly framed as a matter of efficiency in a time of resource scarcity: giving the Global South a greater say in setting IFA priorities will lead to interventions that are better adapted to Global South needs and will stand a greater chance of delivering lasting change at lower cost.

The reform proposals circulating assist both in diagnosing the current system's shortcomings and framing the universe of ideas for negotiation during the months ahead. They include the Vulnerable 20 (V20) Group's Accra to Marrakech Agenda, the 2023 Nairobi Declaration, the G20's New Delhi Leader's Declaration, and the work of the Africa High-level Working Group on the Global Financial Architecture. For example, the Africa High-level Working Group on the Global Financial Architecture makes three proposals: (a) unlock liquidity, (b) reform the global debt architecture, and (c) enhance representation for African countries in global financial institutions.[16,17] The V20 coalition of climate-vulnerable countries, in turn, prioritizes (a) making debt work for the climate crisis; (b) transforming the international and development financial system; (c) securing a new global deal on carbon financing; and (d) revolutionizing risk management for climate-insecure economies.

UN Secretary-General António Guterres has expanded this universe of proposals even further. Guterres issued two sets of reform proposals and commissioned independent recommendations from a High-Level Advisory Board on Effective Multilateralism in 2023 with a view to upgrading a financial system he describes as outdated, dysfunctional, and unfair. He hopes these recommendations will get traction with UN Member States at the 2024 Summit of the Future, drawing on international momentum for financial architecture reform.

This is a unique opening for the Global South, which sees enormous potential in this reform agenda. From a Global South perspective, IFA reform can unlock additional development and climate finance and is an opportunity to address the legacy of colonialism, exploitation, extractivism, and global double standards.[18] It can also inject flexibility in the system to respond more effectively to crises.[19] Many countries want to see an international financial system emerge that delivers on past commitments, while also making structural changes that allow the IFA to respond more effectively to future challenges. This was the spirit in which the recommendations of the High-Level Advisory Board on Effective Multilateralism were drafted, and it is true also for many of the reform agendas Global South coalitions have put forward.

Change is Afoot

There is a sense that change is imminent, with 2024 potentially being a decisive moment of transformation.[20] This can be attributed in part to the fact that this reform agenda has adherents in both the Global North and the Global South.[21] Several factors are helping bridge historic divides between these groups: a growing concern about the climate emergency; evidence of rapid political and economic fragmentation which will undermine growth in all countries; and the recognition that global challenges are multiplying and becoming more complex, and that solutions lie in more, not less, international cooperation.

> "… there are increasing challenges to the UN Security Council, the IMF, the World Bank, etc. I mentioned this earlier in very direct terms; this is what I hear everywhere. And you only have to open the window to hear an outpouring."
>
> **Emmanuel Macron**, Speech at the conference of ambassadors, Élysée Palace (2023)[22]

The flurry of new initiatives and activities indicate that we are moving beyond the rhetoric of reform to concerted action. Many countries view last year's Summit for a New Global Financing Pact as a good faith effort to examine how cooperation across regions could contribute to meaningful IFA reform.[23] We have seen new debt swaps take shape with the support of governments and institutions in developed and developing countries, plans for a Blue Green Bank to catalyze solutions for climate-vulnerable nations, the emergence of a global carbon tax in the shipping sector, the launch of a loss and damage fund to help developing countries cope with the effects of climate change, and membership changes at the IMF and the G20. The V20 coalition of climate vulnerable States has signaled support for the G7's Global Shield for Climate Risks, which offers new forms of parametric insurance. And some progress has been registered with several debt restructurings, notably in Chad, Ghana, and Zambia.

In February 2024, Zambian President Hakainde Hichilema struck an optimistic note in remarks to the African Union, calling attention to new solidarity in pursuit of financial architecture reform across the North and South and convergence on key ideas:[24]

> We must accept that we had intense debates in the past and we had issues about the global financial architecture. Those debates were sometimes misunderstood, gravely misunderstood, especially between the North and the South. I want to encourage [us] to move on to get the job done. Checking with colleagues that we interact with individually as heads of state from the North, I sense that we have some convergence.[25]

This cross-regional dialogue is generating crucial forward momentum for the transformation of the international financial system. At the same time, there is some skepticism that this reform agenda will manage to break existing power structures and vested interests in ways that will promote sustainable growth and meaningful change.

Testing Multilateralism

This reform agenda is about more than just finance. It is part of a larger effort to renew trust in multilateralism that has roots in a dialogue launched on the 75th anniversary of the UN in 2020. UN Member States marked this occasion with a commemorative declaration in which they defended both the idea of multilateral cooperation and the role of the UN in multilateralism, pledging unprecedented political will and leadership to tackle global challenges:[26]

> There is no other global organization with the legitimacy, convening power and normative impact as the United Nations. No other global organization gives hope to so many people for a better world and can deliver the future we want.[27]

An anniversary 'declaration' will not settle anxieties about a multilateral system struggling to meet peace, security, and development objectives. The crisis of confidence in multilateralism and the UN requires a more robust, innovative set of actions that reaffirm the value of global cooperation. This is the raison d'être of the *Our Common Agenda* report and Summit of the Future initiative: they set out to demonstrate that collective action is possible, even in a fragmented world.

That optimism was tested twice since this anniversary event. Two regional conflicts, in Ukraine and in the Middle East, have laid waste to reserves of political will that were already at historic lows. These conflicts have weaponized technology, food, trade, finance, science, and political dialogue, and once again exposed the vulnerabilities of global institutions. Given the chance to put principles into practice and demonstrate that global institutions still matter in an era of catastrophic risks, powerful vested interests in the current system were unwilling to relinquish power and have pursued their strategic objectives through regional coalitions more frequently than global ones.

This is a damning report card for multilateralism. The results are partly responsible for the Global South's re-investment in regional approaches and the sudden surge in parallel regional institutions.

These setbacks notwithstanding, the Global South still clearly sees value in global institutions and retains confidence in global systems and global approaches. In the process of reappointing the IMF Managing Director, Kristalina Georgieva, in April 2024, the coordinators of the Executive Board, Mr. Afonso S. Bevilaqua (Brazil) and Mr. Abdullah F. BinZarah (Saudia Arabia) praised the institution for its "unprecedented response" to recent global shocks.[28] The Global South's IFA reform agendas do not abandon the World Bank and IMF or the United Nations—they aim to reform and rebalance these institutions. They recognize that partnership with these institutions and the international community is vital to their development, security, and long-term interests. They call for more collaboration, not less, but on new terms. We need different terminology to understand how the Global South advocates for multilateral cooperation while also being its most strident critic.

Variable Geometry

The expression 'variable geometry' has been used to describe the US administration's approach to a multipolar world where competition and fragmentation are more the norm than the exception.[29] It is both a statement about the state of the world and a strategy for navigating geopolitics in this moment. Specifically, it refers to working through plurilateral groups of like-minded countries and piecing them together in practical ways.

We argue that this approach is more widespread and may accurately describe the approach to IFA reform adopted by countries in the Global South as well. There is no doubt that recent months have solidified like-minded coalitions in the Global South and coalitions that share specific characteristics (such as vulnerability to climate change and spillovers from neighbouring conflicts). However, this does not mean that countries that make up these coalitions always share a common purpose on all issues and across all borders of the South. The British economist and former deputy governor of the Bank of England, Paul Tucker, views recent efforts to support development in the Global South skeptically, not as the genesis of new solidarity, but an extension of geopolitical rivalry and competition:[30]

> … competition to help the poor is today sometimes little more than a polite face of economics rivalry reflecting frustrations with asymmetric power in the long-established bodies.[31]

This is perhaps too uncharitable a view of emerging reform agendas, Global South institutions, and cooperation platforms. However, it may contain a kernel of truth and point to the complex motivations and priorities that exist across countries of the Global South.

The Canadian economists, Eric Helleiner and Hongying Wang, provide a useful way of thinking about this in their study of recent IFA reform initiatives launched by BRICS countries.[32] They attribute the success or failure of these initiatives to (a) the strength of common social purpose amongst BRICS countries and (b) the degree of structural power of established authorities (the powers challenged). Successful challenges to existing IFA practices and institutions require both common purpose amongst coalitions (a united front) and the ability to credibly challenge entrenched power and authority in existing institutions. Diverging national interests in the Global South will make it harder to build and sustain common social purpose. And where there is common social purpose, the entrenched power of global institutions lends them such influence and credibility that it may be very difficult to dislodge, challenge, or reform them.[33]

One might therefore ask whether there is sufficient common purpose to achieve the outcomes sought by the Global South in their many IFA reform agendas, and whether there is sufficient scope to challenge entrenched powers. The success of upcoming international conferences will depend on carefully crafted proposals that factor in both these considerations. The section that follows goes some way in answering this question.

Section 3 | An Outcome-Based Framework

The breadth and ambition of the IFA reform agenda makes solutions-based advocacy somewhat difficult. **Substantive complexity** is one challenge, especially for non-specialists involved in this reform effort. The multiplying international meetings incorporating elements of IFA reform also introduce **process complexity**. It can be hard to know which parts of the reform agenda are moving forward, which negotiations are strategically meaningful, where consensus is building, and where it is unraveling. Some States advocate a root-and-branch reform, while others have hierarchical policy preferences. UN Member States and civil society groups report being "perplexed" as to where the ambition stands for now.[34]

This section addresses this ambiguity by examining the IFA reform agenda through the lens of outcomes that the Global South hopes to achieve, instead of the more common disaggregation by theme (e.g., debt, concessional finance, contingency finance, taxation). Our survey of official statements delivered by government officials allows us to capture these desired outcomes in a six-part outcome framework, illustrated in Figure 1 below. These are presented as an inventory of outcomes rather than a hierarchical list.

Figure 1. Six-part outcome framework

Space	**Speed**	**Scale**
Sustainability	**Solidarity**	**Self-reliance**

Space

One of the most persistent calls from the Global South is for 'a seat at the table'— they want to improve representation by widening participation of underrepresented groups in IFIs. This is also commonly referred to as making IFIs more 'democratic' or addressing their 'democratic deficit.' This shift to greater inclusivity is so pervasive that institutions and platforms in the Global South (for the Global South) are also relaxing their membership rules and showing greater willingness to include previously excluded countries and partners (e.g. BRICS, MERCOSUR, etc.). The most obvious case is the 'historic expansion' of the BRICS, which admitted Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates.

Recent proposals to improve space (which comprises issues of representation and voice) include increasing the number of seats reserved for developing countries on the IMF Executive Board; opening up the leadership of BWIs to individuals outside of the US and Europe; increasing the number of deputy managing director positions for underrepresented countries; specific recognition by IFIs of issue-based or regional coalitions; and improving representation of regional groups on the staff of IFIs.[35] It also includes quota reform since a country's quota shares in the BWIs has a direct bearing on their *voice* as expressed through voting power (it also determines their share of Special Drawing Rights – SDRs).

> "I have some good news for Africa. We are advancing a preparation to have a third representative of sub-Saharan Africa in our executive board. Ultimately, what it will mean is a stronger voice for Africa."
>
> **Kristalina Georgieva** (2023)[36]

The advantages and disadvantages generated by BWI governance reforms surface numerous tensions. The proposal for a 25th IMF Executive Director Chair for sub-Saharan Africa received widespread support from Global South coalitions, including from the G24, V20, and several Emerging Markets and Developing Economies (EDMEs). However, countries in the Middle East and North Africa (MENA) region and Least Developed Countries (LDCs) insisted that more representation for sub-Saharan Africa should not come at their expense. MENA countries regularly cite the IMF's own findings that their staffing diversity benchmarks lag behind other regions.[37] And while China supported the addition of an Executive Director seat for sub-Saharan African States, it emphasized that quota realignment was "fundamental to IMF governance reform," and other measures, such as adding new seats at the table, were but "complements" to the reform agenda.[38]

Among G24, V20, and EDME supporters of IMF board enlargement, there continue to be concerns about balanced representation. At the recent International Monetary and Financial Committee (IMFC) meetings in Marrakech, Brazil sought a small ad hoc quota share allocation "to partially attend to the most blatantly underrepresented members" in the IMF. Some reporting suggests that support for the creation of an additional IMF seat for sub-Saharan Africa was conditioned on agreement to Brazil's proposal for this ad hoc allocation.[39] The V20 and LDCs insisted that that any alteration in quotas strengthen or preserve the voice and representation of their members.[40] Proposals to improve representation will face hurdles across different Global South coalitions, where there are competing priorities. Negotiations on the issue of representation in IFIs have been described as a microcosm of geopolitical power and rivalries.[41]

The call for additional space in IFIs has also evolved over time. The call for greater representation now also includes requests for access to BWIs based on an expanded set of shared characteristics. Notably, the V20 coalition, which represents the interests of the world's most climate vulnerable developing economies on monetary, climate, and development issues, has asked for formal recognition at the World Bank and the IMF (beyond observer status).[42] This change would grant the V20 intergovernmental status, and provide them a formal secretariat to carry their work forward.[43] The prominence and impact of other groups recognized by the IMF's IMFC and the World Bank's Development Committee, such as the G24, suggests that this could be a meaningful way of elevating the voice of issue-based coalitions and strengthening their ability to shape global economic policy and priorities.

Meaningful IFA reform will necessitate greater representation of Global South countries in decision-making bodies within IFIs. Deciding on the exact shape this will take requires additional coordination between the various coalitions and blocs emerging from the constellation of countries that make up the Global South.

Broadly, this effort is about re-orienting IFIs to align their mission and operations with the objectives and priorities of countries that need these organizations the most.[44] A Carnegie Council high-level roundtable on an African agenda for World Bank reform captured this viewpoint succinctly—participants noted the World Bank shaped Africa's development outcomes for decades, so Africa should now have a say in shaping the World Bank.[45] Accommodating all these proposals will be challenging. However, even if only a few of the reform proposals above are implemented, the Global South will be in a better position to achieve a realignment that will allow them to contribute to global economic agenda-setting more systematically.

Speed

A second set of proposed reforms focus on the IFA's ability to adapt and respond at speed. Agility is a distinct outcome sought in the Global South's reform agenda. It complements other outcomes, such as improving the scale and quality of finance, covered in later sections.

The Global South's reform agenda is targeting both the speed of the system (how fast the system moves resources) and the speed of change to the system (how quickly reforms to the system will take place). This can be broken down into three categories:

1. Quickly halting resource outflows (**extractive**);
2. Quickly injecting/accessing resources (**additive**); and
3. Quickly adapting institutions to respond to global challenges and to reflect the changing global economic landscape (**adaptive**).

A more adaptive IFA would reflect major shifts in the global economy in a regular, predictable, and timely manner. A step in this direction would be to review and update quota increases more frequently.[46]

Commitments to revise the quota formula to better reflect members' relative positions in the world economy date back several years, fueling claims of 'broken promises,' which in turn contribute to a sense of grievance in the Global South.[47] The next major quota reform is anticipated to take place in 2028, meaning that a total of 18 years will have passed without meaningful consideration of quota adjustments (the last major changes were discussed in 2010 and implemented in 2016).

It is unclear whether 2028 will deliver major changes. As discussed in Section 4, meaningful quota reform is likely to be blocked if the results favour countries perceived to be undermining the effective functioning of the international financial system. This is a case of structural power constraint (discussed in Section 2); notably, the power of the US Congress to halt ambitions for greater reform through a controlling veto in BWIs.

Mark Sobel, of the Official Monetary and Financial Institutions Forum, a think tank, has suggested that the IMF's legitimacy would not be undermined if meaningful quota reform is not achieved.[48] This position contrasts with the views of other experts. David Lipton, former interim Managing Director of the IMF, and later international affairs counselor to Treasury Secretary Janet Yellen, calls the IMF "duty-bound" to reflect changes in the global economy at a faster pace.[49] Reflecting these changes with greater speed and predictability, he argues, would help the IMF retain global reach and resources and support a stable and robust international monetary system.[50]

The concept of 'automaticity' also features prominently in reform proposals from the Global South, most frequently in relation to the additive and extractive dimensions. African States have specifically called for a more responsive and evidence based SDR allocation procedure that provides *automatic* stabilizers for global recessions and force majeure events.[51] These injections can prevent insolvency when crises arise, such as during pandemics and natural disasters. The G24 supports this push and advocates for the creation of a new SDR contingency mechanism that can quickly release resources through MDBs during future crises.[52]

Countries of the Global South have also proposed upgrades to debt instruments to improve responsiveness in emergency and crisis contexts.[53] LDC countries have called for contingency frameworks in debt agreements to be automatically triggered in the event of public health, social, economic, and environmental emergencies over a certain magnitude,[54] aligning with proposals in the Bridgetown Agenda. This may include automatic debt suspension or debt standstills.[55] There was widespread, cross-regional, and cross-institutional support for the expanded use of Climate-Resilient Debt Clauses in new lending for vulnerable countries at COP28 in 2023, which will pause interest repayments in the event of future climate disasters.

Similarly, there are calls for the rapid activation of existing debt machinery and faster sovereign debt workout mechanisms for debt obligations (e.g., the Common Framework).[56] Nearly half of the terms most frequently used by the international community to describe a strengthened international debt architecture relate to improvements in speed (predictable, efficient, timely, orderly, effective, systematic, fair, transparent, coordinated, comprehensive, inclusive, and simplified).

The key institutions of the IFA have not been idle during recent crises. The creation of the Resilience and Sustainability Trust (RST), a historic issuance of $650 billion SDRs in 2021, and the creation of a new seat at the IMF for sub-Saharan Africa are evidence of a system adapting to new needs and new economic realities. These shifts are significant and without precedent in scale. Yet, it still takes too long for some of these processes to activate and for the benefits to reach States in need. This is driving some countries to seek out new regional institutions perceived to be more flexible and responsive.[57] Sentiments of mistrust and injustice are further exacerbated by the international financial system's swift support for Western governments during crises, but comparatively slow support for Global South countries and their priorities.[58]

The challenge lies in improving the agility of IFIs without sacrificing integrity by compromising safeguards. While many countries publicly acknowledge the broader geopolitical competition slowing the traditional machinery of international finance, they also caution that the slow pace of change sends a negative signal about commitments to improve multilateralism.[59]

Scale

The scale of funding the Global South requires is significant. Estimates range from $1–2 trillion per year by 2030 for developing countries' external climate finance needs, including resources to make up for loss and damage caused by extreme weather.[60] These sums required go up from 2030. Together, emerging markets and developing countries are expected to require $2.4 trillion per year to address the effects of, and adaptation to, climate change.[61]

The finance required to service the full Sustainable Development Goal (SDG) agenda is even greater, with estimates varying between $3.9 trillion per year (OECD) and $4.3 trillion per year (UNCTAD) for developing countries.[62] A more recent 2024 estimate by the Sustainable Finance Lab, projects the SDG and climate financing gap, excluding China, to fall between $3 and $4 trillion.[63]

These financial needs are compounded by historic levels of sovereign debt across the developing world, resulting from unprecedented economic adjustments required by the pandemic, and inflationary pressures exacerbated by the war in Ukraine. According to the IMF, global debt remains above pre-pandemic levels, with small reductions in 2021 and 2022, largely owing to actions by developed countries and emerging economies.[64] In low-income countries, total debt increased to around 88 percent of GDP in 2022. Exchange rate depreciation has increased the cost of borrowing in foreign markets, creating serious vulnerabilities among the most debt-ridden countries.

Part of the solution to financing the sustainable development and global challenges agendas lies in better matching finance flows to needs.[65] A great deal of climate finance is spent in countries where it is generated. Trillions are also locked away in central bank reserves and with private investors which could otherwise be put to work strengthening resilience, development, and climate projects.

Several high-level reports have also pointed out that MDBs could do more to fine-tune lending practices, instruments, and operations to maximize existing resources.[66] However, fresh capital is equally important. According to World Bank President Ajay Banja there are simply not enough resources on the table, which no amount of creative stretching and engineering can fix.[67]

There are six common actions put forward to generate the required resources:

1. Increase concessional funding, notably by strengthening the IMF's Resilience and Sustainability Trust and Poverty Reduction and Growth Trust, and the World Bank's International Development Association (IDA), possibly tripling its resources at IDA21 in 2025;
2. Capitalize MDBs;
3. Optimize MDBs and increase risk tolerance;
4. Fulfill and strengthen Overseas Development Assistance (ODA) commitments;
5. Leverage SDRs in development finance and increase channeling efforts;
6. Strengthen domestic resource mobilization, stem illicit financial flows, and innovate taxation; and
7. Increase private sector investments and blended finance solutions (e.g. JET-P, GFANZ).

In 2023, the UN Secretary-General commissioned a plan to boost investments in the SDG agenda, drawing on many of the actions above. The SDG Stimulus Plan prioritizes action in three areas: debt architecture reform and scaling up debt swaps; massively scaling up affordable long-term finance for development; and expanding contingency financing.

The Plan's real value was in generating "a political push" to make existing ambitions a reality.[68] This political push came in September 2023 by way of an endorsement from UN Member States in the 2023 SDG Summit Political Declaration. They not only welcomed the Plan but also committed to advancing its ideas 'in a timely manner,' overcoming resistance from a small group of Western States.[69] Many countries in the Global South have reiterated support for the SDG Stimulus Plan and its proposals in the lead-up to the Summit of the Future.

In its treatment of public and blended finance solutions, the SDG Stimulus Plan captures important nuances that reflect a tension in the Global South. While calls to de-risk private finance to 'crowd in' trillions in private sector investment in developing countries have received significant support—reflecting a shift in preferences for trade and investment in the place of aid—some countries see private capital as a poor substitute for public investment given the vested interests associated with private investment and the high levels of risk aversion among private investors. The Global South is not opposed to private investment—it has an important role to play. Indeed, many reform proposals seek to rebalance perceptions of risk that impede private investment in the Global South. However, there is little evidence that private finance can be scaled successfully, and some of it will be ill-suited to development initiatives because of its profit orientation.[70] In view of the uncertain level and impact of private investment, the Global South asks that any private finance be considered additional to a sustainable core of public investment.

The countries least likely to benefit from private financial flows are those that need support most: fragile and low-income countries. There is a risk that the most fragile countries will find it difficult to access private capital considering their governance challenges, which in turn may lead to an increase in tensions and disparities within the Global South itself. A 2021 IMF research report acknowledges these difficulties and concludes that "any transition from public to private finance in development sectors needs to be gradual and supported by sound institutions."[71] The G24 has thus advised 'cautious optimism' in relation to the push for private capital mobilization "given the need for a dynamic combination of public and private sector cooperation" to achieve the SDGs.[72]

A complementary approach many Global South coalitions favour involves repurposing SDRs for long-term development financing, including for resilience, biodiversity, and climate projects. The lack of conditionality associated with SDR use is an attractive feature of this asset, as well as the fact that it comes at no cost to taxpayers in issuing countries and does not add to any country's public debt burden.[73]

New formulas for creative SDR use vary across regions.[74] The African Union has presented a proposal in two parts: a new climate-earmarked SDR issuance amounting to $650 billion, and earmarking $100 billion of voluntary on-lending from the 2021 general allocation of $650 billion specifically for Africa.[75]

A parallel focus is on channeling unused SDRs that have already been disbursed to institutions that could leverage them and on-lend to support development and climate projects. The G77 and China have called for voluntarily channeling of up to $250 billon of the 2021 general allocation to developing countries through multilateral and regional development banks.[76] This is more than double the G7 pledge to channel $100 billion of SDRs—a milestone only just recently achieved. While the Bridgetown Agenda does not provide a unique SDR issuance formula, it does specifically support efforts to prioritize SDR channeling through the African Development Bank.[77] Brazil's chairmanship of the G20 is adding momentum to these calls. The Presidency is pushing for the G20 Financial Architecture Working Group to advance technical and political discussions on SDR rechanneling to MDBs.

Global plans for SDR channeling may move slowly owing to objections from the European Central Bank, even though many European countries favour channeling proposals. Christine Lagarde, the head of the European Central Bank, has indicated that SDR on-lending to MDBs would violate the European Union's prohibition on monetary financing.[78] Despite these reservations, Japan, France, Spain, and the United Kingdom have come out in support of channeling unused SDRs from the 2021 general allocation through hybrid capital mechanisms at the African Development Bank and the Inter-American Bank.

SDR issuances are generally only possible once every five years under IMF rules, which may frustrate calls for new thematic issuances (e.g. climate, biodiversity). This rule notwithstanding, in October 2023, many US Senators and Congress Members pressed US President Joe Biden to support an entirely new $650 billion SDR allocation, arguing that the 2021 allocation was "by far the single most important action taken to support the economies of developing countries in the face of combined global health, debt, economic, and climate crises."[79]

This call from a largely Democratic coalition of elected US officials will not be enough to deliver the African proposal, but it does given credence to the idea of a new SDR issuance, and importantly, revives calls dating back to the 1960s from UNCTAD experts to establish a development link in SDR allocations. The IMF, which serves as the custodian of SDRs, does not have a development mandate and the SDR today is still not considered an aid or development instrument. The recent uses proposed by the Global South do revive longstanding efforts to make a development-finance case for the SDR.

The Global South will use the IFA reform agenda to scale finance and investment by championing optimization (MDBs), innovation (SDRs), and greater fulfillment (in relation to historic commitments). The reform agenda is both an opportunity to address and move on "from an era of unkept promises."[80]

Sustainability

Efforts to secure affordable and long-term financing must tackle the crucial issue of debt sustainability. Global South countries see debt as (a) imposing unfair burdens owing to high lending rates and US dollar denomination of debt (which makes repayment costly); (b) comprising opaquely governed instruments; and (c) undermining their ability to meet global challenges like climate adaptation. Debt sustainability is a core concern in the current reform effort. This focus aligns fully with the ambition of the Summit of the Future: to deliver a better present and safeguard the future.

The Global South has called for a stable and long-term flow of affordable public and private finance to meet national development plans, tackle the climate crisis, and to sustain the provision of global public goods. This will require additional and stronger measures to support debt sustainability through a reformed IFA, which currently is seen as unfair and unfavourable to developing countries. LDC representatives stress that debt servicing payments already consume more than one-fifth of government revenues, leaving little fiscal space to cope with internal and external shocks.[81] African countries estimate that 22 per cent of their revenues are spent on average to service their debts, diverting resources from social, health, and education sectors, and stifling efforts to stimulate economic growth.[82] Current debt burdens are unsustainable and will deny present and future generations the opportunity to achieve high living standards.[83]

The situation is worsening year on year as the aftershocks of the Ukraine war, the COVID pandemic, and resulting inflationary pressures accumulate. Most low-income countries are already at high-risk of debt distress, but they will face a debt financing cliff over the next two years when a significant amount of debt is due. Adding more debt to already burdened budgets in the Global South is not a viable path to achieve development ambitions, increase economic growth, or address the climate crisis.

The SDG Stimulus Plan recommended a comprehensive review of the existing international lending framework, with a view to improving multilateral debt relief initiatives. Several countries support a full redesign of the multilateral debt architecture to improve terms for low-income countries, increase options for debt restructuring for debt-distressed middle-income countries, improve transparency, and enhance coordination across traditional and new creditors, as well as private creditors—all major shortcomings in the existing debt architecture. Specific suggestions include creating an independent sovereign debt authority, creating a public debt registry, and encouraging borrower clubs, mirroring creditor committees, such as the Paris Club.[84]

Borrower clubs have been championed by UNCTAD and countries of the Global South for decades. UNCTAD's 2023 Trade and Development Report renewed the call for a 'borrowers club' as part of the reform of the global debt governance architecture.[85] Some versions of this proposal envision a union-like arrangement—a group of countries negotiating debt relief terms together—while other proposals limit the ambition to knowledge exchange and mutual support. [86] The UNCTAD proposal is of the latter kind: a dedicated space to discuss technical issues, innovate, and learn from borrowers' experiences.

This idea is getting traction. At COP28, Egyptian Finance Minister Mohamed Maait announced the formation of a Sustainable Debt Coalition with similar objectives. It currently includes 16 countries of the Global South but the Coalition has called for the participation of all debtor countries "to better contribute to the international financial architecture reform."[87] This Coalition includes a sub-group explicitly designated 'a borrower club' and has held meetings on the margins of several major dialogues on IFA reform. Like the V20 and other Global South coalitions, one would expect the Sustainable Debt Coalition to play a significant role in shaping the ambition and outcomes of the Summit of the Future.

Complementing the focus on debt sustainability is a renewed focus on the role of credit rating agencies. Brazil's G20 presidency is opening a dialogue with credit rating agencies to support the transformation of MDBs. But more needs to be done, and calls from the Global South include a wide range of proposals, including improving assessment methodologies to better account for climate risks, developing an international framework convention to regulate private creditor agencies, and launching a pan-African credit rating agency and a BRICS credit rating agency to provide a more objective credit market assessment of Global South sovereigns. [88,89] African States have also advocated for the creation of a fair external recourse mechanism attached to credit rating agencies, which can be used to contest their credit assessments.[90] Strengthening regulatory frameworks for credit rating agencies can help address criticism that the Global South's balance sheets and economies are undervalued. [91,92]

An open, cross-border dialogue is needed to improve the transparency and accountability of credit rating agencies. There are signs of progress here as well. In addition to the Brazilian presidency's commitment, in February 2024, the IMF-World Bank Sovereign Debt Roundtable convened a first discussion with G20 countries and credit rating agencies to discuss methodologies used to derive sovereign ratings.[93]

A third proposal from Global South coalitions is to revisit the economic policies that attach to new finance and debt restructurings. They claim conditionalities undermine sustainability by hindering the public sector's ability to invest and function effectively, disproportionately impacting populations reliant on public services. The IMF has acknowledged deficiencies in the use of conditionalities, notably in the period from the 1980s to the early 2000s. During the Asian Financial Crisis, policymakers in Asia became suspicious of 'top-down policies' imposed by the IMF, which they criticized for being designed without enough consideration of on the ground realities.[94] A similar criticism can be found in countries of the Global South today.

> "The issue of conditionality is central to the 'stigma' associated with IMF financing. Hence, the importance of lending by MDBs, which has no stigma associated with it."
>
> **José Antonio Ocampo** (2014)[95]

Calls to end or reconsider the use of structural conditionalities have a long history and are common across the Global South reform agendas.[96] Recently, the G77 and China have pushed for a review of austerity programmes linked to debt repayment plans.[97] The IMF has significantly improved its approach to structural conditions since the early 2000s, including through a new strategy for fragile and conflict-affected States, but a legacy of skepticism remains in the Global South.[98]

Solidarity

Another challenge of IFA reform lies in designing an international financial system that can efficiently pool resources to tackle global challenges while showing equal regard for development priorities in the Global South, including energy transitions, hunger, and inequalities. It must also balance investments across the economic, social, and environmental dimensions of sustainable development. The current financial system and parts of the reform agenda do not get this mix right.

Three actions can be taken to respond to the call for greater partnership and solidarity with the Global South. First, rethinking international taxation to share a greater portion of corporate profit. Second, adopting a *fair shares* approach to funding global challenges. Third, evolving metrics that determine economic success and vulnerability beyond GDP-based approaches.

Countries of the Global South have led a multi-year campaign to give the UN a central role in legislating global taxes, including, inter alia, the implementation of a global tax on international capital flows and coordinating the implementation of taxes across multinational companies. This push for improved global tax rules has strengthened ties across many States, but it has spotlighted disagreements with a handful of developed countries, further strengthening the negative perceptions in the Global South about the power of vested interests in the regulation of international finance. The proposed UN tax treaty is a riposte to OECD-led efforts, which the Global South criticizes for having taken too long, ultimately yielding a framework that disadvantages them in important ways.[99]

In November 2023, Zambia's UN ambassador, Chola Milambo, issued a direct appeal to developed countries on behalf of the UN's African Group to support a UN-led tax treaty:

> To our partners in the OECD, the EU, the US and the UK, I appeal to your understanding of our shared humanity. This Convention is not just a fiscal tool; it is a lifeline to millions who aspire for better healthcare, education, and a life of dignity. Your support is crucial in turning this vision into a reality.[100]

At stake in these negotiations is the ability to raise taxes today and in the future on key sectors, like digital services; international capital flows; taxing rights on the most profitable multinational enterprises; and accessible, affordable dispute resolution. This rift may undermine the broader IFA reform objectives at the Summit of the Future. A reformed IFA that takes the calls for solidarity seriously would attempt to reconcile these positions.

Better coordination of global taxation promotes a more equitable distribution of global resources and contributes to the sense that everyone is paying their fair share of the development bill. It is also a way of looking beyond ODA to meet the costs of development.[101]

The concept of 'fair shares' has broad implications for the IFA reform and development agendas. On the margins of the V20 Finance Ministers meeting at COP28 in Dubai, Ghana's President, Akufo-Addo, emphasized that fair shares must be at the forefront of IFA reform discussions. The New Global Financing Pact agreed several months later, underlined the importance of finding new ways to finance development and climate priorities according to the rules of *polluter pays* and *common but differentiated responsibilities*.[102]

Fair shares arguments can lead to more innovative funding for global public goods. The World Maritime Organization (WMO) is moving forward with a plan to price carbon emitted in the shipping sector—a fee for every ton of carbon emitted.[103] This would represent a global carbon tax in the shipping sector, applicable equally to all, closing a gap in taxable commercial activities on the high seas. The proceeds of the proposed shipping tax could be directed to tackling global challenges, like climate change, without taking money off the table for traditional development priorities. This WMO initiative could serve as a model for other innovative taxation schemes to supplement financing for global challenges.

> "Beneath the surface, a growing mistrust is pulling the Global North and South apart, complicating the prospect of progress. The Global South's frustration is understandable. In many ways they are paying the price for the prosperity of others."
>
> **Ajay Banga**, World Bank Annual Meeting, Marrakech (2023)[104]

Global South governments harbour deep concerns about tradeoffs that might arise in an era of growing climate finance needs. Many have already suffered from dwindling ODA allocations and worry that the pivot to funding global challenges will overshadow long-standing development concerns. [105]

The G24 stresses the importance of "a balanced approach" between new development priorities (global public goods, climate emergency, pandemic preparedness, fragility) and the traditional development agenda to ensure the collective progress of low-income and middle-income countries. South Africa's Finance Minister, Enoch Godongwana, cautions that efforts to reorient the World Bank's mandate to better address the climate crisis should not overshadow other critical investment areas for Africa, like poverty reduction, education, and health. [106,107] The World Bank, sensitive to these concerns, launched a new diagnostic tool in 2021, the Country Climate and Development Report (CCDR), which will help examine these trade-offs.

Global South countries have also called on IFIs to rethink the metrics that guide international development finance. Many Small Island Developing States (SIDS) and climate-vulnerable States oppose the extensive use of GNI and GDP in determining eligibility for concessional development finance. They worry that reliance on GNI and GDP masks vulnerabilities, such as a volatile economic base, remoteness, and institutional and human resource capacity constraints, in addition to known risks and potential costs of climate change.[108,109] The recently developed Multidimensional Vulnerability Index (MVI)[110] is a promising development that addresses these concerns by prioritizing vulnerability in needs assessments and global economic policymaking. The Alliance of Small Island States (AOSIS) describes MVI as "one of the most practical ways in which the desire to reform the international financial architecture can be made tangible."[111] Madagascar recently suggested that including MVI in debt treatments could improve economic resilience.[112]

Efforts to action these proposals are already underway, which may result in a better alignment of concessional finance with development needs. For example, the World Bank has committed, through its *Evolution Roadmap,* to consider vulnerability as an eligibility criterion for IDA and IBRD resources.

Self-Reliance

Not all reforms aim at transforming Washington-based institutions. Efforts are being made to strengthen or create new institutions in the Global South that serve the Global South. The 2023 BRICS Summit in Johannesburg reiterated the principle of "African solutions to African problems."[113]

This push could eventually lead to a more decentralized IFA with adapted roles for the major IFIs, such as the World Bank and IMF.[114] The extension and enhancement of South-South swap lines, as well as BRICS initiatives to create global payment systems to facilitate trade and investment throughout the Global South, mark the beginning of such a transformation.

African governments have proposed a variety of strategies to strengthen their autonomy in monetary policy and enhance self-reliance across regions of the Global South. The Alliance for African Multilateral Financial Institutions (AAMFI), or Africa Club, was recently established to strengthen collaboration and coordination among African-owned and African-controlled Multilateral Financial Institutions. Together, these development finance institutions have an asset base of over $53 billion. They have also renewed calls to create a pan-African credit rating agency, and to close the regional trade gap by encouraging the further development of the African Continental Free Trade Area (AfCFTA)—intra-African trade remains a quarter of intra-European trade. These activities promote self-reliance through increased financial autonomy and deeper regional integration.[115] There have additionally been calls to create an African Stability Mechanism to promote macro-financial stability and a robust financial safety net for the region.[116]

> "If we can increase the financial power of our own institutions, we are in a better place to finance our development."
>
> **Nana Akufo-Addo**, President of the Republic of Ghana (2024)[117]

As several prominent African officials have pointed out, the IFA reform agenda is partly about assisting Africa in retaining and utilizing its own resources.[118] In this context, the need for strengthened domestic resource mobilization efforts is widely acknowledged, including recently by African Union Commission Chairperson, Moussa Faki Mahamat, who noted this was an important measure to "reduce Africa's dependency."[119] If lower- and middle-income countries move closer to the 30 per cent domestic resource mobilization targets upper-income countries reach on average they could generate significant additional income. Strengthening domestic resource mobilization is an uphill battle in countries where tax collection systems are not fully digitalized, compliance is low, and the tax base is constrained by a large informal sector. Ensuring greater autonomy in balancing sovereign debt repayments against development needs requires internal reforms in direct and indirect revenue mobilization systems, and the administration and monitoring of such systems. It also requires strong support by the international community to ensure the regulation of multinational interests and private international investment in developing economies.

These initiatives are expressly framed in terms of self-reliance and a fight against 'discrimination' in global institutions.[120] Achieving more efficient and equitable domestic revenue mobilization is also an essential component of how developing countries strengthen their capacity to voice their positions globally and build stronger State capacity to address and finance their own development needs.

Section 4 | IFA Governance Reforms

The six desired outcomes outlined in the section above require some reform in IFA governance. These reforms will determine the Global South's ability to bring about change through formal mechanisms, namely improvements in global coordination, changes to leadership conventions, and the design of decision-making practices in international economic governance.

Global Coordination

Several years ago, José Antonio Ocampo, the former Colombian Minister of Finance, proposed that reform of the governance of the international monetary and financial architecture include three components, one of which being the creation of a more representative international institution at the apex of the global economic system that would address 'the elite multilateralism' the status quo encourages.[121]

The 2009 Stiglitz Commission proposed an 'Economic Co-ordination Council' with a status comparable to the UN General Assembly and the Security Council. This Council would improve the representation of developing countries in global economic decision-making and the overall inclusiveness of the IFA through a body that would bring together the BWIs, the World Trade Organization, and all relevant UN institutions based on a constituency-based weighted voting system.[122] It was designed to strengthen representation and limit the capacity of informal groups to undermine the governing structures of treaty-based organizations like the IMF and World Bank.[123]

In his 2023 Summit of the Future Policy Briefs, the UN Secretary-General revived this idea, proposing the creation of an apex body that could more systematically coordinate global economic policymaking. This body would leverage a biennial meeting (sometimes called a 'Biennial Summit on the global economy') at the level of Heads of State and government, bringing together members of the G20 and of the Economic and Social Council (ECOSOC), the Secretary-General, and the heads of the IFIs.[124] This would also result in a more inclusive and representative global economic policymaking platform.

Several versions of this proposal have been tested in the past. This idea previously failed to gain support because it was thought to require onerous changes to the charters of existing entities, and powerful countries were unwilling to campaign for such a major reform.[125] Some were resistant to the idea of upgrading ECOSOC's role from a deliberative forum to a decision-making council, while others felt that this new configuration would allow the G20 to exert more influence over the UN's economic agenda.[126]

> "… the reform project designed to bring about an expanded forum at the apex of power could not overcome the formidable obstacles of political/diplomatic interests. The status quo remained more attractive to most of the G7/8 members than a leap into the unknown."
>
> **Andrew Cooper** (2009)[127]

Similar headwinds exist today. The US is opposed to the idea of an apex body with the UN at the helm, claiming that it would potentially damage, confuse, or duplicate existing workstreams and complicate the structures and processes of the G20. It also argues that it is outside of the UN's remit to convene IFIs or other independent bodies, such as the G20.[128]

Given statements by various countries in favour of creating a more equitable and effective global economic governance framework, one would expect the Global South to be more supportive of this apex body. The reality is more complicated. China has stressed the importance of "strengthening communication and cooperation among mechanisms such as ... the International Monetary Fund and the World Bank, to enhance macroeconomic policy coordination and improve global economic governance."[129] In February 2022, the G77 did issue a statement endorsing the Secretary-General's proposal for a Biennial Summit on the global economy, noting that it would "promote a more sustainable, inclusive, and resilient global economy." [130] Yet, during the same meeting, Mali, speaking on behalf of the UN African Group "expressed concern" over a perceived lack of inclusivity.[131]

The proposal was later *noted* in the April 2023 ECOSOC Finance for Development outcome report.[132] The subsequent ECOSOC Chair, Paula Narváez, was more optimistic, proposing that "a Biennial Summit of ECOSOC, the international financial institutions and the G20 to discuss high-level economic priorities and the contributions of different actors … *merits further consideration*."[133]

The landscape of support for an apex coordination body remains unclear. There does appear to be distinct regional positions both for and against the proposal. During the Pact for the Future negotiations, several countries *acknowledged* and *noted* the Secretary-General's proposal, somewhat short of an emphatic endorsement.[134] The lukewarm support for such an initiative could be explained by longstanding concerns about mandates and priorities (see above), as well as the proliferation of parallel initiatives and institutions that cater more specifically to regional priorities and on more acceptable terms.[135, 136] Opposition from major powers may have also had a chilling effect on the wider UN membership. Eric Helleiner and Hongying Wang's framework may once again prove instructive: it is quite possible that a calculation was made that the proposal of an apex body could not overcome the structural power of established authorities in the institutions meant to be coordinated by this new body.

We may nevertheless get the opportunity to see what such an economic summit looks like in practice in September. President Lula of Brazil, the current G20 Chair, is invested in strengthening G20/UN coordination and has committed to hosting a meeting of G20 foreign ministers at the 79th session of the UN General Assembly.[137] Member States may find this meeting format useful and worth preserving, possibly even expanding.

Leadership

Increased representation in, and recognition by, IFIs is core to the Global South's calls for governance reform. In March 2023, African finance ministers reiterated their hope that the African Union would finally obtain a permanent seat in the G20, strengthening Africa's voice on the global stage.[138] In September 2023, they succeeded. The African Union is the second regional bloc to be admitted to the club of major economies, joining the European Union, a founding member. This goes some way in building a more representative and legitimate mechanism of international economic co-operation.[139]

> "The global financial architecture needs to be fixed. It must work for everyone and reflect the new dynamics. In this regard, we welcome the membership of the African Union in the G20. But we need to go further!"
>
> **Claver Gatete**, UNECA (2024)[140]

One additional proposal from the Global South is to end the geographic monopoly on leadership positions at the BWIs. The 2009 Commission for IMF Governance Reform headed by Trevor Manuel made a compelling case for this change more than a decade ago, which was subsequently endorsed by the G20. However, progress in implementing this change has been slow.

The closed leadership selection process of BWIs is symbolic of governance practices seen to be unfair, which in turn undermine the legitimacy of these institutions.[141] The BRICS Declaration of August 2023 called for a greater role for emerging markets and developing countries in the international financial system, including in leadership positions in the BWIs, to better reflect the role of EMDEs in the world economy.[142] In recent months, the G24 has also supported calls to overhaul leadership conventions in IFIs. These reforms look challenging but the growing impetus for reform of the MDBs may pave the way for some concessions in their leadership structures.

Decision-Making

Another important category of proposals relates to voting power and decision-making processes. The BWIs are an important and irreplaceable part of the IFA. They are the source of significant development finance and sustain a global financial safety net. The more important the role these institutions play, the greater the need to hasten changes to the way decisions are made.

Several studies note there is scope to improve existing decision-making practices within the BWIs. In addition to distributing power, these changes would increase pressure to compromise on major policy decisions.[143]

The US is the only single country able to exercise a veto in the BWIs, where it enjoys more than the 15 per cent voting shares required to veto major decisions. Even though other large groups of countries could band together to oppose decisions at the BWIs, it is this unique veto power that adds to criticisms of democratic deficiencies in the existing financial system.[144] Michel Camdessus' 2011 Palais Royal report addressed the de-facto US veto in the BWIs and recommended lowering the bar for majority rule.

> "A more pragmatic approach would work towards a "double majority" system … This would provide the Global South with an opportunity to express its opinion in the decision-making process of BWIs and to block programs and policies that oppose their interests."
>
> **Amin Mohseni-Cheraghlou** (2022)[145]

The governor of the Bank of France used the example of the successful shift in voting rules in the Council of the European Union, from unanimity to qualified majority on most issues, to strengthen the call for changes to the majority rule in the IMF.[146] Expanding the practice of double majority voting to a wider range of decisions would result in more democratic decision-making, by ensuring that more decisions require the support of both principal shareholders and the majority of shareholders.[147]

An increase in basic votes allocated to each country would support more balanced decision-making. Basic votes have diminished in importance over time and with each quota increase, which has shifted voting power to countries with more quota shares. The equalizing impact of basic shares has therefore eroded over time. The High-Level Advisory Board on Effective Multilateralism proposed doubling the share of basic votes to 11 per cent of total votes, and introducing a practice of automatic adjustment to basic vote shares when quotas increase.

Increases to basic votes have occurred in the past, notably in 2008 when basic votes at the IMF were tripled. Some expert observers with longstanding ties to the IMF think that an increase in basic votes is possible in the coming year.[148]

This change to basic vote allocations will not go far enough for some countries. They will consider it a complementary measure substituting for more meaningful change through quota reform. The African High-Level Working Group is advocating for a specific increase of African shares in the next quota review.[149] They are not alone—BRICS countries alongside several other developing and emerging countries, are calling for a larger shareholding in the BWIs. There is no obvious solution that will sidestep the challenges associated with redistributing votes in BWIs.

For China, quota reform is the most meaningful part of the IFA governance reform agenda. However, Western governments openly and publicly condition support for quota reform on China and other emerging economies, adopting a constructive approach to international economic cooperation.[150] In September 2003, US Under Secretary for International Affairs, Jay Shambaugh, noted that an important part of the IMF quota formula reform process will depend on all countries “especially those that would see an increase in share” (such as China) respecting the roles and norms of the IMF and working to strengthen the international monetary system.[151]

The meaning of this statement is clarified by similar (expanded) reflections offered by the Bank of France in October, when it was noted that emerging countries that will benefit from IMF quota reform, including China, will have to accept “common rules of the game,” which includes “their fair share of debt restructuring and of the financing of global public goods, starting with climate change.”[152] Whichever form it takes, it is clear that changes to decision-making practices in the international financial system require reform to strengthen the capacity of the system to address the needs of developing countries.

Section 5 | Conclusions

Many countries across the Global South and the Global North are promoting a seismic shift to the IFA. These changes require overcoming substantive challenges, but the appetite for change is increasing and there are clear signs of momentum.

Any reform to the IFA will require a complex set of interrelated changes to institutions that have very different stakeholders and variable willingness to change. Both the World Bank and IMF have observer status in the General Assembly and are not a party to the negotiations in UN Summits. Getting a full package of interrelated reforms moving at the same pace is extraordinarily difficult and will almost certainly require a convergence of views amongst the large, developed countries currently controlling the IFA and their finance ministries representing them in governing boards.

The Global South has successfully met this challenge in the past and mobilized support for meaningful reforms. The Pact of the Future is an opportunity to do so again, but the challenge is not insignificant.

Based on a review of public policy statements from a variety of countries and coalitions, this paper makes six actionable recommendations for upcoming high-level debates on the IFA reform that take into account both broad consensus views and the Global South's unique perspectives on what constitutes an equitable, fair, and just IFA reform. Each is discussed in turn below.

Outcomes Over Themes

This paper attempts to capture the six main outcomes sought by Global South countries in the ongoing IFA reform processes. While much has been debated about specific areas of reform (sovereign debt, concessional finance, contingency finance, international taxation), these discussions tend to focus on technical aspects that often miss the big picture. We argue that a better understanding of what the 'Global South' expects to get out of these reforms may pave the way for a more grounded discussion.

While not all countries that constitute the so-called Global South agree on the exact formulation of these outcomes, our reading of multiple policy statements indicates that the six broad outcomes have strong buy-in across most constituent blocs of the Global South. Expected outcomes include (i) an increased say for developing countries in how international financial institutions operate and make decisions; (ii) improvements in the speed and flexibility of these institutions to respond to polycrises; (iii) ensuring that the scale of financial support matches real needs; (iv) reforming mechanisms for debt sustainability; (v) improving solidarity across the multilateral system; and (vi) supporting developing countries' capacity for increased economic self-reliance.

Space, time, and political constraints, as well as the broad range of themes up for negotiation at the Summit of the Future limit the possibility of generating support for specific and detailed reforms. The goal should be to get a political push on enough high-level commitments that specifically address these expected outcomes. Commitments could take the form of pledges, aims, or principles, but need to ensure expectations have a strong chance of being met.

High-level principles or objectives can be distilled from the outcome framework provided in this paper. A leaders' recommendation for the Pact for the Future could, in the first instance, commit to pursuing actions in relevant bodies and institutions that support the transformation to a more agile IFA that delivers sustainable, affordable finance at the scale and speed needed through a renewed commitment to solidarity and to initiatives that support greater economic self-reliance.

Commit to Speed, if Nothing Else

The six outcomes presented in this paper could figure prominently in the Pact for the Future commitments or could serve as a framework for more specific pledges, as suggested above. Chief among those pledges should be a leaders' declaration that commits to delivering a more responsive financial system. Such a system would more quickly and debt payments, inject resources, and adapt to account for new vulnerabilities and changes in the global economic landscape. This should be a time-bound commitment emulating the commitments in the zero draft of the Global Digital Compact—the IFA of 2030 must move more swiftly than the IFA of 2020. The cost of inaction or slow action are unacceptable to most of the world's population, not just citizens of the Global South.

Acknowledge Dependencies

A reading of the IFA reform agenda through thematic lists conceals the quid pro quo bargaining that is a mainstay of IFA reform. The positions taken by China and the US on debt and quota reform; countries of the Global South and developed countries on global taxation; and country coalitions on quota share increases are illustrative of these tensions and dependencies. Acknowledging these dependencies will help identify possible brakes ahead of major summits and result in more targeted proposals for change.

The Pact for the Future is an opportunity to discuss a broad transformation agenda, and an opportunity to work through differences on distinct but linked issues. Breaking the trade-off between objectives will require a number of simultaneous innovations, e.g a commitment to reform the multilateral debt architecture, regulation of global interest rates, a path for quota reform, and an endorsement of innovative taxation mechanisms, including a global tax regime.

Establishing a global, public, and transparent clearinghouse of reform proposals would go a long way to improving understanding of changing priorities, innovative proposals, and emerging support for change. It could also help map impact pathways associated with leading reform proposals. One such example is the MDB reform tracker launched by the Center for Global

Development which offers a comprehensive tool to help shareholders, managers, and other stakeholders evaluate progress as objectively as possible. This approach should be extended to the full range of IFA reform proposals.

Anticipate Substantive and Process Complexity

The proliferation of forums, platforms, and conferences aimed at reforming the IFA can overwhelm institutions which are confronted with an increasingly long list of reform proposals. In addition to regular discussions in the G20, BRICS, G77 meetings, the 2024 Summit of the Future, and the 2025 International Conference on Financing for Development also have a specific focus on IFA reform. In their first letter to UNFCCC Member States in March 2024, the UNFCCC COP Troika Presidencies indicate that they will also focus on existing mechanisms, processes, and stakeholders, within and outside the UN system, to strengthen the international climate finance architecture.[153] With so many options now available to decision-makers, it is not immediately clear where they will choose to pursue the most meaningful reforms. A more generous interpretation is that these many processes are passing the reform 'torch' from one process to the next, building momentum and ratcheting up ambition. This may be the case, but it most certainly means more process complexity to manage in months ahead. This is a particularly daunting situation for smaller countries, which struggle to keep track of many fragmented points of dialogue yet have a great deal at stake. Coordination across government ministries active in different dimensions of these negotiations will be crucial, as will coordination across the United Nations system (which includes BWIs) to avoid misunderstandings across a range of complex, technical subject matter.

Debt: A Benchmark for Success

Many countries consider a reformed debt architecture a minimum benchmark for success of IFA reform efforts. The G77 and China have specifically proposed that the Pact for the Future address the international debt architecture and provide for a specific mechanism that enables climate-vulnerable countries to cope and recover from high debt burdens.

This is a cross-regional priority with strong support from both developed and developing countries. However, progress on this issue may be limited by other constraints (dependencies). In a second-best scenario, considerable progress can still be made by committing to (a) improving the efficacy, transparency, and accountability of credit rating agencies and encourage the ongoing dialogue between MDBs, credit rating agencies, and shareholders through the Global Sovereign Debt Roundtable and the G20; (b) supporting the establishment of borrowers' clubs; (c) strengthening the link between climate, nature, and debt while ensuring appropriate transparency and safeguards; (d) committing to debt restructuring options for middle-income countries in debt distress; and (e) redoubling efforts to ensure that new loans contain robust contingency clauses that protect countries in the event of unforeseen shocks.

Many consider SDR issuances and on-lending a significant part of the solution to development funding needs and reduction of debt burdens. Yet it has been hard to find agreement on ways to enhance the role of SDRs, notably for development. The proliferation of formulas for SDR disbursement could be brought before a group of donor countries in a structured dialogue, as proposed by the African Union. This would be in keeping with other efforts that improve creditor/borrower dialogue.

A Minimum Guarantee

Many of the governance changes to BWIs are the subject of discussions and negotiations outside of the New York/UN ecosystem. Many ask what the Pact for the Future can deliver given this constraint. The recommendations above provide some ideas.

We acknowledge that securing specific IFI governance reforms will be challenging in the face of power politics that often hinder major UN reforms (e.g. Security Council reform efforts). However, the Pact for the Future could deliver a minimum guarantee to show that the concerns of the Global South have been acknowledged and will be pursued in parallel forums. This minimum guarantee could:

a) acknowledge a representation imbalance in IFIs;
b) offer assurance that the international community will preserve and strengthen the voice of the world's poorest countries in the IFA;
c) commit to implementing techniques to better direct development finance (e.g. MVI);
d) commit to financing the achievement of the SDGs; and
e) commit to mobilizing and directing resources to where they are needed most during a crisis.

Failure to issue these minimum guarantees would undermine the UN75 commitments and the ambition of the Summit of the Future.

The current climate crisis potentially provides an entry point to reaching agreement on a minimum guarantee for the Global South in global economic agenda-setting. In any event, this minimum guarantee would provide the necessary political momentum to seek more specific reforms in months ahead in other relevant institutions and forums.

Annex 1. Annotated Six-Part Outcome Framework Incorporating Select Proposals for International Financial Architecture Reform.

The Global South's reform agenda can be broken down into six distinct desired outcomes: Space, Speed, Scale, Sustainability, Solidarity, and Self-reliance. This section assigns specific reform proposals to these category headings.

Outcome 1: Create Space

- Reform leadership conventions: balance regional representation in the appointment of heads and senior management at BWIs, creating more room for underrepresented regions.
- Formal recognition by WBIs for specific groups, e.g. V20.
- Enlarge the table: create an apex macroeconomic coordination body.
- Add more chairs at the table:
    - A 25th seat for sub-Saharan Africa in the IMF Executive Board, constituting a 3rd ED seat for African countries.
    - A fifth deputy managing director to improve regional representation, specifically for EMDEs.
    - Improve representation of the MENA region to a minimum of 3 chairs.

- Quota reform:
    - Quota increase and share realignment to reflect relative weights in the global economy.
    - Quota formula should reflect non-GDP and GDP elements.
    - Increased shares for EMDCs.
    - Increased shares for Africa.

Outcome 2: Adapt and Deliver With Speed

- Automatic stabilizers from IMF for global recessions and force majeure events.
- IMF to develop approaches for quota realignment by June 2025.
- Debt:
    - Strengthening contractual provisions to minimize economic disruptions arising from natural disasters.
    - Automatic suspension of debt service (automatic standstills).
    - Timely, orderly, effective debt restructuring mechanism(s).
- Automatic SDR allocations.

Outcome 3: Finance at Scale

- Tripling of IDA resources in the upcoming replenishment.
- Increase capital contributions for MDBs.
- Implement the UN Secretary-General's SDG stimulus Plan.
- Better leverage MDB balance sheets to scale up concessional finance to at least $500 billion/year.
- Fulfil and recommit to ODA and long-term, stable public and private finance.
- Scale nature/climate debt swaps and bonds.
- A new $650 billion SDR issuance.
- Scale private sector investment through de-risking, and credit rating agency reforms/regulation, including objective, independent, accurate, and transparent CRA analyses.

Outcome 4: Affordable and Sustainable Finance

- Improved terms of lending: lower cost of borrowing, longer maturities.
- Re-examine conditionalities and austerity measures linked to loans and debt.
- Review and modify the IMF's surcharge policy.
- Review practices, methodologies, and governance of credit rating agencies.
- Finance global challenges at affordable rates without additional conditionality.
- Improve debt sustainability frameworks to account for structural constraints and long-term investment requirement for SDGs.
- Enhance the Common Framework by making middle-income eligible.
- Introduce a better global sovereign debt workout mechanism.
- Mainstream climate risks in lending instruments.

Outcome 5: A Solidarity-Oriented International Financial Architecture

- Visions, missions, and mandates crafted to ensure balanced investments in global challenges and longstanding development challenges, such as poverty, education, and health.
- Better reflect vulnerabilities in the international financial system.
- Implement Beyond GDP and MVI metrics with resourced secretariats and data collection capacities.
- Support Natural Capital Accounting.
- Strengthen international tax cooperation at the UN.
- Strengthen the GFSN for emergencies and long-term central bank swap arrangements.

Outcome 6: Support Self-Reliance

- African Stability Mechanism to complement the global safety nets offered by the IMF.
- Establish a BRICS and Pan-African Credit Rating, reducing reliance on big-three credit-rating agencies.
- Support African Central Bank (ACB), the African Investment Bank (AIB), the African Monetary Fund (AMF) and the Pan-African Stock Exchange (PASE) as crucial steps to combine African resources and expertise.
- Strengthen domestic resource mobilization efforts.

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[43] "V20 communique analysis Annual Meeting 2023: Climate vulnerable countries demand more voice at Bretton Woods Institutions," *Bretton Woods Project*, last accessed 28 March 2024, https://www.brettonwoodsproject.org/2023/10/v20-communique-analysis-annual-meetings-2023-climate-vulnerable-countries-demand-more-voice-at-bretton-woods-institutions-as-unequal-governance-frustrates-their-efforts-at-climate-resilience/; Recent research into the representation of climate vulnerable countries in the IMF finds that while they have almost 17 per cent of the world's population, they only control 5.3 per cent of votes at the IMF. See: Lara Merling, "No voice for the climate vulnerable: climate change and the need for quota reform at the IMF," *GEGI Working Paper 057* (Boston: Boston University Global Development Policy Center, 2022). Accessible at: https://www.bu.edu/gdp/files/2022/10/GEGI_WP_057_FIN.pdf.

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[47] "Communique of the 25th meeting of the IMFC," *IMF*, 12 April 2012, https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr12145.

[48] Mark Sobel, US chairman at OMFIF think tank. See: Ashutosh Pandey, "Is the US denying China a bigger voice at the IMF?"

[49] "Bring IMF and World Bank into the modern era," *South China Morning Post,* 21 July 2019, https://www.scmp.com/comment/opinion/article/3019503/bring-imf-and-world-bank-modern-era; David Lawder, "IMF must adapt to China's rise, fintech, to stay relevant – Lipton," *Reuters,* 16 July 2019, https://www.reuters.com/article/idUSKCN1UB1M8/.

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the Group of 24," *G77*, 10 October 2023, http://www.g77.org/statement/getstatement.php?id=231010c. The statement argues: "An SDR contingency mechanism should be created to ensure that in future crises, these resources are issued quickly and automatically, including through Multilateral Development Banks. An additional SDR allocation should be approved to facilitate public investments of developing countries to achieve the SDGs."

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