

# Executive summary

Financing challenges are at the heart of the current sustainable development crisis. Yet financing is also key to turning our fortunes around and getting back on track. The Fourth International Conference on Financing for Development next year in Spain provides a unique opportunity to reform financing at all levels to close the gap between aspiration and financing.

Countries are off track on the 2030 Agenda for Sustainable Development, with around half of the 140 Sustainable Development Goal (SDG) targets for which sufficient data is available deviating from the required path. Current projections estimate almost 600 million people will continue to live in extreme poverty in 2030, more than half of them women. Progress is woefully inadequate on climate action, with global greenhouse gas emissions still rising when rapid and deep reductions are needed.

Achieving the economic transitions needed to reach the SDGs will require investments at unprecedented scale. Unmet financing needs for SDGs and climate action are estimated to be in the trillions of dollars annually. Yet, the costs of inaction, both economic and social, would be far higher still. Financing needs are particularly acute in many developing countries which face higher costs of capital and significantly worse terms of access to financing. Due to misaligned incentives, both public and private actors still invest in brown activities and have not yet fully aligned their decision-making and financing with the SDGs.

While there has been real progress across the financing agenda since the adoption of the Monterrey Consensus on Financing for Development in 2002, financing for development has not kept pace with rising needs amid a changing and less benign global environment. Systemic risks, especially climate and disaster-related risks, have risen dramatically. There has been a sea-change in global macroeconomic and macro-financial conditions, with GDP growth rates in developing countries falling to just over 4 per cent annually on average between 2021 and 2025, after averaging around 6 per cent before the 2009 global financial crisis. Income, wealth, gender and other forms of inequality, which are often perpetuated by financing policies, have become entrenched. Enormous technological change, digitalization in particular, is affecting all financing areas. And there are growing risks of fragmentation in the global economy. While some of these trends have created opportunities for development and financing progress, in their totality, they have put national financing frameworks and the international financial architecture under severe stress.

Today, many countries are faced with tight fiscal constraints and high risks of debt distress, with the median debt service burden for LDCs rising from 3.1 per cent of revenue in 2010 to 12 per cent in 2023 – the highest level since 2000. Four in 10 of the global population live in countries where governments spend more on interest payments than on education or health. Private sector development, a key driver of sustainable growth and development, has stalled in recent years as investment growth, trade, and technology diffusion slowed. Structural changes pose new challenges for countries' productive integration into the world economy, necessitating a search for new growth and development strategies. And while financial inclusion is a bright spot, financial and capital markets remain underdeveloped in many developing countries, with financial volatility contributing to the dearth of long-term investment.

The window to rescue the SDGs and prevent a climate catastrophe is still open but closing rapidly. United Nations Member States have given the Fourth International Conference on Financing for Development (FfD4), to be held in Spain from 30 June to 3 July 2025, an ambitious mandate to address financing challenges "in the context of the urgent need to accelerate the implementation of the 2030 Agenda and the achievement of the SDGs and to support reform of the international financial architecture."

This 2024 *Financing for Sustainable Development Report* is designed to enable a productive and substantive preparatory process for this Conference. To that end, the Task Force highlights four sets of overarching questions that warrant Member States' attention:

- **How can FfD 4 help close large financing and investment gaps, at scale and with urgency, and enhance spending effectiveness?** What is the package of reforms that can help deliver the rapid scaling up of public and private investments in the SDGs, and containing actions across tax, private investment and blended finance, concessional financing and development bank reform, and innovative financing instruments? How can the Conference help governments do more on domestic resource mobilization and optimizing spending through growth- and revenue-enhancing reforms, to better allocate scarce resources while prioritizing the SDGs?

**How can FfD 4 help address issues in the international financial architecture and support international rules for trade, investment and finance that are fit for today's challenges?** Which international financial architecture reforms could enhance countries' resilience in a more crisis-prone world and enable access to financing on the right terms and conditions? How can the international community fully align trade, investment and technology agreements and rules with sustainable development?

- **How can FfD 4 close credibility gaps and rebuild trust in global partnership and multilateralism?** How can public and private actors reconcile misalignment between rhetoric and action and renew momentum for finally meeting long-standing commitments on concessional financing, global governance reform, and fully aligning domestic and international policy frameworks and investment allocations with commitments to the SDGs?
- **How can FfD 4 help formulate and finance new development pathways to deliver on the SDGs and ensure no one is left behind?** How can the ongoing rethinking of economic development paradigms, not least the relationship between states and markets in achieving sustainable transformations, inform new national and international financing policy frameworks for sustainable development?