Driving Sustainable Futures for All

2025 Annual Policy Dialogue
on Financing for Sustainable Development

Concluding Document

Club de Madrid-2025

Content

Executive Summary

The following executive summary presents twenty key messages emerging from the 2025 Annual Policy Dialogue on financing for development convened by Club de Madrid in Nairobi. These messages aim to inform the global financing for development agenda in the lead-up to the Fourth International Conference on Financing for Development, the G20 Summit in South Africa, the Annual Meetings of the International Financial Institutions in Washington and other relevant United Nations milestones in 2025.

Rooted in the urgency of the African context and the broader Global South, they reflect a consensus on the need for structural reforms to international financial architecture, enhanced multilateral cooperation, and more equitable resource mobilisation to enable sustainable development at scale. These key messages articulate the position of Club de Madrid on the priorities that must shape the global agenda on financing for development in 2025 and beyond.

Key Message 1. Scale up and reform MDBs to deliver affordable finance at scale: MDBs must fully implement the G20 CAF recommendations and significantly expand financial capacity, delivering at least an additional USD 300 billion annually in long-term finance by 2030. Increasing concessional financing—including fulfilling the USD 100 billion IDA21 pledge and ensuring an ambitious African Development Fund replenishment in 2025—must be prioritised alongside strengthened local currency lending, enhanced countercyclical roles for regional MDBs and systematic partnerships with National Development Banks to align financing with country-led priorities. Mobilising resources at scale also requires tapping into new value pools—particularly the economic value of nature.

Key Message 2. Reform global liquidity mechanisms for equitable and effective crisis support: Significantly strengthen SDR rechannelling—including via MDB hybrid capital—and remove IMF dual accounting to enhance SDR effectiveness. Enact further IMF quota increases and consider an IMF-managed emerging markets liquidity fund offering affordable, unconditional crisis finance. Expand and reinforce Regional Monetary Arrangements, especially in Africa, with robust surveillance capacities to enable faster and more targeted crisis responses.

Key Message 3. Democratise global financial governance: Ensure open, transparent and merit-based selection processes for IMF and World Bank leadership. Implement meaningful quota and voting reforms to enhance developing country representation, including by using double majorities and increasing the weight of basic votes in line with the original Bretton Woods principles. Formally recognise the Vulnerable Group of Twenty (V20) within governance structures. Strengthen accountability by establishing an independent IMF ombudsman and reinforcing gender and geographic diversity in senior roles.

Key Message 4. Build a multilateral, rules-based and development-oriented debt restructuring framework: Existing mechanisms—such as the G20 Common Framework for Debt Treatment—must be significantly improved. A new multilateral framework is needed to deliver timely, fair and inclusive sovereign debt restructurings. It should include automatic standstills, independent debt assessments, private creditor participation and tools linking debt relief to climate and development goals.

Key Message 5. Prevent debt crises through long-term, climate-aligned and countercyclical finance: Preventing future crises requires scaling up concessional, countercyclical and local currency financing guided by vulnerability, not income. Instruments like state-contingent clauses and disaster clauses must be standard. All finance should align with nationally defined long-term development plans and protect fiscal sovereignty.

Key Message 6. Reform credit rating systems to enable fair access to development finance and reduce structural bias: Credit rating agencies must be made more transparent, accountable and development-sensitive. Multilateral oversight is needed. Regional agencies like the African Credit

Rating Agency should be supported to introduce methodological diversity and improve developing countries' access to affordable capital.

Key Message 7. Support the United Nations Framework Convention on International Tax Cooperation: The negotiation of a United Nations Framework Convention on International Tax Cooperation is a critical opportunity to build a fairer and more inclusive global tax system. All countries should engage constructively to ensure the Convention establishes common rules for equitable taxation, curbs tax abuses, and strengthens the voice and participation of developing countries in global norm-setting.

Key Message 8. Reform global tax rules to ensure fair taxation of multinationals and the ultra-wealthy: Rebalance taxing rights towards countries where real economic activity occurs. Apply the principles of unitary taxation and significant economic presence. Strengthen the global minimum corporate tax by raising the rate to 21–25% and removing loopholes. In parallel, advance a coordinated global minimum tax on the ultra-wealthy, complemented by measures on wealth, inheritance and capital gains taxation.

Key Message 9. Promote transparency, cooperation and capacity to tackle tax abuse and raise revenues: All countries should commit to public reporting by multinational corporations, full beneficial ownership transparency, and consider options such as a global asset registry. Automatic exchange of information must be accessible to developing countries. Regional tax cooperation platforms in Africa, Latin America and Asia should be strengthened to support fair and effective tax systems. Clear criteria to tax natural resource exploitation should also be promoted to strengthen domestic revenues and align fiscal systems with climate goals.

Key Message 10. Unlock domestic resources to finance development with equity and sovereignty: Club de Madrid urges governments to strengthen domestic resource mobilisation through inclusive and progressive fiscal systems. Reforms must expand tax bases, close equity gaps and integrate informal economies, guided by Integrated National Financing Frameworks. International partners should support capacity and technology to ensure domestic mobilisation aligns with national priorities and development justice.

Key Message 11. Reaffirm ODA as a pillar of international peace and stability: Development cooperation must not become collateral damage in times of geopolitical tension and fiscal pressure. Club de Madrid calls on all development partners to protect and scale up ODA, reaffirm their commitment to the 0.7% target—including 0.2% for Least Developed Countries—and ensure resources are long-term, predictable and aligned with country priorities. Redirecting funds from development to short-term security responses risks undermining global stability. ODA must support an enabling environment for civic actors. ODA is not charity—it is a strategic tool for peace, resilience and international trust.

Key Message 12. Elevate South-South cooperation as a cornerstone of a more equitable and multipolar development system: South-South and triangular cooperation must be recognised and supported as key drivers of locally grounded and politically owned development. Club de Madrid calls for greater investment in regional cooperation platforms and stronger alignment of these modalities with global efforts.

Key Message 13. Defend a fair multilateral trading system against fragmentation and protectionism: Club de Madrid urges all countries to refrain from unilateral trade measures and recommit to a rules-based multilateral trading system. Trade wars are destructive and incompatible with international stability, development and climate action. The WTO dispute settlement system must be restored, tariff commitments upheld, and policy space enhanced for developing countries to industrialise and diversify.

Key Message 14. Make private investment work for sustainable development: Mobilising private finance is essential, but must not compromise development priorities. Club de Madrid calls for safeguards to ensure risk-sharing mechanisms uphold equity and national ownership. MDBs can use their balance sheets to de-risk responsibly, while governments strengthen regulation, project pipelines and transparency. Private finance must operate within a public interest framework, reinforcing—not displacing—state responsibility.

Key Message 15. Scale up climate finance with urgency, equity and systemic coherence: Club de Madrid calls for urgent increases in public and concessional climate finance, including to the Loss and Damage Fund, Green Climate Fund and Adaptation Fund. Funding must be balanced across mitigation and adaptation, and aligned with national plans. MDBs should use their balance sheets to catalyse climate investment responsibly, while private finance must be de-risked with equity, transparency and development impact at the centre. All financial flows must be aligned with low-emission and climate-resilient development pathways.

Key Message 16. Finance must follow values: Financing for development must uphold human rights, gender equality, national sovereignty, and accountability. It must serve people and planet—not just markets. These principles are essential to build trust and ensure that all financial flows contribute to just, inclusive and sustainable development.

Key Message 17. Recommit to social investment: Club de Madrid calls on all governments to prioritise investment in social sectors and social policy—including education, health, social protection and care systems—as a strategic priority. The Second World Summit for Social Development must reaffirm the right to social development and promote fair and sustained financing as the foundation for inclusive and peaceful societies.

Key Message 18. Advance inclusive financing: Digital technologies can accelerate financial inclusion and improve the efficiency and transparency of public finance. Club de Madrid calls for investment in inclusive digital infrastructure, rights-based payment systems and strong regulatory safeguards. Digital finance must be designed to close gaps—not widen them.

Key Message 19. Invest in localisation: Local and regional governments must be adequately financed and empowered to implement the 2030 Agenda. Fiscal decentralisation, direct access to funds and capacity support are essential to build inclusive, resilient and territorially balanced development.

Key Message 20. Make global financing commitments accountable: International cooperation must be backed by mechanisms that track delivery on promises—from ODA and climate finance to governance reforms. Multilateral institutions must strengthen transparency, monitoring and peer accountability to rebuild trust and legitimacy.

Concluding Document

Nairobi, April 4, 2025

Ten years ago, all Member States of the United Nations (UN) unanimously endorsed the **2030 Agenda for Sustainable Development**—a historic commitment to secure peace, prosperity, dignity, and sustainability, not just for today, but for generations to come. This Agenda was not an ideological imposition nor a partisan vision; it was a collective roadmap, negotiated and agreed at the highest level, reflecting the shared aspirations and values of humanity. At a moment of increasing polarisation and deliberate misinformation, it is our political responsibility—as former Heads of State and Government—to challenge those who seek to undermine this shared vision and to remind leaders everywhere of their duty to defend and implement it fully.

Yet, the international community is confronting a blunt reality: **the promise of sustainable development is slipping out of reach**. More than 85% of the Sustainable Development Goals (SDGs) are off track, with setbacks particularly acute in the fight against hunger, extreme poverty and rising inequalities. The climate crisis is deepening this trajectory, with 2024 marking the hottest year ever recorded and extreme weather events inflicting severe human and economic losses, particularly across Africa and other climate-vulnerable regions. These interlinked crises are testing the resilience of societies and exposing long-standing structural injustices. The erosion of trust in multilateralism reflects the system's persistent failure to respond effectively.

At the heart of this failure lies a **persistent gap in financing**. The global shortfall to achieve the SDGs is now estimated at over USD 4 trillion per year, while commitments on climate finance remain unmet. Adequate and affordable financing is essential for countries to deliver long-term strategies for inclusive growth, climate resilience, and structural transformation. Without decisive progress on development and climate finance, the vision of the 2030 Agenda and the Paris Agreement will remain unfulfilled. The task ahead is not to revisit our shared goals, but to realign global financial flows with those goals—equitably, consistently, and at scale.

Multilateralism as the only way forward

As the United Nations approaches its 80th anniversary, the ability of Member States to deliver tangible outcomes for people and planet has never been more important—nor more scrutinised. In the face of rising geopolitical tensions and declining trust, advancing concrete progress on financing sustainable development and climate action is essential to restore confidence in multilateral cooperation. Countries committed to a rules-based international order built on equity, solidarity and shared responsibility must now **lead by example**—and to show that progress through dialogue and cooperation is still possible.

The emergence of a more **multipolar world** represents a historic opportunity to diversify global leadership and address priorities too often constrained by narrow interests and geopolitical inertia. Yet multipolarity alone, without a robust and inclusive multilateral framework, risks deepening fragmentation and further eroding trust. A world of diverse centres of power must therefore remain anchored in common rules, shared commitments and strong institutions, with the **United Nations** at their centre. Strengthening, rather than weakening, the United Nations system is indispensable to ensure global stability, coherent action, and long-term solutions over short-term politics.

Club de Madrid underscores the urgent need to reform **global economic governance**—including the international financial architecture and the multilateral trading system—ensuring they are fit for purpose to meet the challenges of the 21st century and fully aligned with sustainable development and climate goals. Within this context, the United Nations may play a central, coherent, and stronger role, leveraging its legitimacy, universality and convening power to shape inclusive and equitable economic governance. The organisation must lead in championing a systems coherence approach—

one that pursues resilient prosperity for all within planetary boundaries. This means aligning resource allocation, governance, and financial systems with social needs and ecological sustainability. Development must be guided by long-term, regenerative planning that accounts for feedback dynamics and ecological interdependence, integrates natural capital into financial decision-making, and mobilises mission-oriented strategies to reverse the degradation of people, nature, and planet.

The **Fourth International Conference on Financing for Development** (FFD4) in Seville, the **Second World Summit for Social Development**, and **COP30 in Brazil**—are good opportunities to reshape the global financing agenda and deliver tangible outcomes. **South Africa's G20 presidency** represents, in parallel, a strategic opportunity to amplify the voice and priorities of the Global South and to strengthen Africa's role in shaping a more representative and effective multilateral system. Together, these processes must not only advance policy solutions, but also reaffirm that cooperative, inclusive and effective multilateralism remains the most credible path to shared progress.

Club de Madrid´s 2025 Annual Policy Dialogue contributes directly to the deliberations leading up to the FFD4 and the South African G20 presidency by offering concrete and actionable recommendations to strengthen international cooperation and respond to both the root causes and visible impacts of today's systemic financing challenges.

Based on our discussions, we agreed on the following **recommendations**:

1. Scaling up funding through Multilateral and National Development Banks

Multilateral Development Banks (MDBs) have a critical role to play in shaping the global response to today's unprecedented development and climate challenges. Yet incremental change alone will not suffice. MDBs must decisively implement the recommendations of the **G20 Independent Panel on MDBs' Capital Adequacy Frameworks (CAF)**, optimising their balance sheets and significantly expanding financial capacity through hybrid capital instruments, including the strategic use of Special Drawing Rights (SDRs). In parallel, MDBs should enhance their operational efficiency by simplifying lending processes and procedures to better meet the needs of vulnerable countries.

Regular and transparent resource-needs reviews must become standard practice, leading to capital increases as needed, enabling MDBs to collectively deliver at least an additional **USD 300 billion annually in affordable, long-term finance by 2030**, fully aligned with debt sustainability. This scaling-up should prioritise and actively expand lending in **local currencies** to reduce exchange-rate risks and strengthen domestic capital markets.

MDBs must also progressively **increase concessional financing**, meeting existing replenishment commitments, including the USD 100 billion pledge to the International Development Association (IDA21) and securing an ambitious replenishment of the African Development Fund in 2025. This stepwise increase must be grounded in regular, evidence-based assessments of countries' actual development and climate financing needs. Additionally, regional MDBs should reinforce their **countercyclical lending capacity** to support countries effectively during economic downturns and external shocks.

Mobilising resources at the scale required for sustainable development demands tapping into new value pools—particularly the **economic value of nature**. MDBs should support the development of strategies to appropriately value and integrate natural capital into development finance in ways that increase both the volume and quality of financing while incentivising conservation. This effort should be complemented by innovations in credit enhancement and risk mitigation, as well as greater participation of public pension and sovereign wealth funds in MDB capital structures.

MDBs—particularly the World Bank—must also lead in closing the persistent **financing gap for civil society** by embedding civic participation in operations and financing strategies and establishing dedicated funding platforms to support civil society actors as essential development partners.

National Development Banks (NDBs) have a critical role in driving economic transformation in developing countries by providing long-term, high-risk finance aligned with national priorities. To unlock this potential, MDBs should strengthen structured partnerships with NDBs, including through integrated networks, joint planning and capacity support. A system-wide approach is needed to align incentives and scale up impact through coordinated NDB–MDB collaboration.

> ***Key Message 1.*** ***Scale up and reform MDBs to deliver affordable finance at scale:*** *MDBs must fully implement the G20 CAF recommendations and significantly expand financial capacity, delivering at least an additional USD 300 billion annually in long-term finance by 2030. Increasing concessional financing—including fulfilling the USD 100 billion IDA21 pledge and ensuring an ambitious African Development Fund replenishment in 2025—must be prioritised alongside strengthened local currency lending, enhanced countercyclical roles for regional MDBs and systematic partnerships with National Development Banks to align financing with country-led priorities. Mobilising resources at scale also requires tapping into new value pools—particularly the economic value of nature.*

2. Reform global liquidity mechanisms to ensure timely, equitable and countercyclical support

The current international monetary system is inadequate to provide timely, equitable and sufficient liquidity support to developing countries in times of crisis. Significantly **improving Special Drawing Rights (SDR) rechannelling** is crucial, including through hybrid capital structures in MDBs, while advancing reforms to the SDR system to enable more frequent and effective future issuances. To further enhance the effectiveness of SDR use, the IMF's dual accounting system should be eliminated, removing current constraints on their strategic deployment.

Further **IMF quota increases** should be enacted by the conclusion of the 17th General Review of Quotas. Additionally, the establishment of an **IMF-managed emerging markets fund** should be considered, providing countries with early access to adequate volumes of liquidity at below-market rates, free from heavy conditionalities, to effectively manage adverse currency movements and external shocks.

Regional Monetary Arrangements must be significantly expanded and strengthened, particularly on the African continent where liquidity coverage remains weakest. Enhancing these regional mechanisms with robust financial surveillance capacities will enable quicker and more effective responses to regional economic disruptions, reinforcing the global financial safety net precisely where it is most urgently needed.

> ***Key Message 2.*** ***Reform global liquidity mechanisms for equitable and effective crisis support:*** *Significantly strengthen SDR rechannelling—including via MDB hybrid capital—and remove IMF dual accounting to enhance SDR effectiveness. Enact further IMF quota increases and consider an IMF-managed emerging markets liquidity fund offering affordable, unconditional crisis finance. Expand and reinforce Regional Monetary Arrangements, especially in Africa, with robust surveillance capacities to enable faster and more targeted crisis responses.*

3. Rebalance international financial governance through inclusion, transparency and accountability

The legitimacy and effectiveness of international financial governance rely fundamentally on inclusive and accountable decision-making processes. Establishing a **merit-based, transparent and open**

selection process for the leadership of the IMF and the World Bank—open to citizens from all member countries—is essential to uphold the principle of equitable representation.

Quota and shareholding reforms at these institutions must be linked to meaningful realignment of voting power to enhance the voice of developing countries, reflecting current global economic realities. Concrete progress should be made in the upcoming IMF quota review and the 2025 World Bank shareholding review. Using double majorities more broadly and increasing the weight of basic votes—bringing them closer to the original Bretton Woods design—would significantly enhance the participation of small and low-income countries. Official recognition of the Vulnerable Group of Twenty (V20) within the Bretton Woods institutions would further enhance legitimacy and inclusion.

Additionally, **accountability** within international financial institutions must be significantly strengthened. Establishing an independent IMF ombudsman—reporting directly to the Executive Board and independent from management, with a mandate specifically focused on investigating IMF compliance with its own policies and procedures—is crucial. Enhancing similar accountability functions within the World Bank Group should also be pursued. Furthermore, ensuring IMF and World Bank Executive Boards and senior management reflect adequate geographic diversity and gender balance is integral to credible institutional reform.

> ***Key Message 3.*** ***Democratise global financial governance:*** *Ensure open, transparent and merit-based selection processes for IMF and World Bank leadership. Implement meaningful quota and voting reforms to enhance developing country representation, including by using double majorities and increasing the weight of basic votes in line with the original Bretton Woods principles. Formally recognise the Vulnerable Group of Twenty (V20) within governance structures. Strengthen accountability by establishing an independent IMF ombudsman and reinforcing gender and geographic diversity in senior roles.*

4. Reform and institutionalise a rights-based framework for fair, timely and effective sovereign debt restructuring

The current system for sovereign debt resolution is fragmented, creditor-driven and ineffective in preventing development reversals. Existing mechanisms—such as the **G20 Common Framework for Debt Treatment**—must be significantly improved to ensure faster, fairer and more comprehensive debt treatments. This includes automatic standstills during negotiations, deep debt reductions to restore sustainability, and inclusion of all external long-term debt, excluding that owed to international financial institutions which retain seniority. Clear rules must ensure full participation of all creditors, with priority given to concessional lenders and crisis-time financing. Value recovery instruments should be symmetric, and eligibility must be expanded to include middle-income countries facing solvency risks.

A **new multilateral framework**—legitimately anchored in the United Nations or an appropriate multilateral institution—should be established to deliver predictable, rules-based and development-oriented debt treatments. This framework should include automatic debt standstills in crises, independent debt sustainability assessments, and enforceable mechanisms to ensure equitable participation of all creditors, including the private sector. It must also incorporate tools that link debt resolution with sustainable development and climate resilience, such as debt-for-climate swaps and state-contingent instruments. The framework should be grounded in international human rights obligations, include participatory processes that reflect the needs, rights and priorities of affected populations, and contribute to restoring fiscal space for essential investments.

> ***Key Message 4.*** ***Build a multilateral, rules-based and development-oriented debt restructuring framework:*** *Existing mechanisms—such as the G20 Common Framework for Debt Treatment—must be significantly improved. A new multilateral framework is needed to deliver timely, fair and inclusive sovereign debt restructurings. It should include automatic standstills, independent debt*

assessments, private creditor participation and tools linking debt relief to climate and development goals.

5. Prevent future debt crises through structural reforms and long-term, sustainable financing aligned with national priorities

Avoiding a new wave of debt distress requires reorienting the international financial architecture to support long-term, transformative development. MDBs and official creditors must scale up the provision of concessional, countercyclical and climate-aligned finance—including in local currency—and reduce reliance on procyclical policy conditionalities. Access to such financing should be guided by multidimensional vulnerability, not income levels alone. Instruments such as state-contingent debt clauses, natural disaster clauses, and climate-resilient debt clauses must become standard. Financing flows must be aligned with nationally defined, long-term development strategies and public investment plans. Domestic policy space should be protected and supported by scaled-up technical assistance and fair international rules. Strong social contracts, inclusive planning and policy sovereignty are prerequisites for sustainable debt management.

Key Message 5. ***Prevent debt crises through long-term, climate-aligned and countercyclical finance:*** *Preventing future crises requires scaling up concessional, countercyclical and local currency financing guided by vulnerability, not income. Instruments like state-contingent clauses and disaster clauses must be standard. All finance should align with nationally defined long-term development plans and protect fiscal sovereignty.*

6. Reform credit rating systems to enable fair access to development finance and reduce structural bias

Credit rating agencies often rely on methodologies that insufficiently reflect the specific economic and structural contexts of developing countries. This can contribute to elevated risk perceptions and higher borrowing costs, constraining fiscal space for investment in sustainable development. A **comprehensive review** of their governance, methodologies and accountability is warranted, ideally under the leadership of a multilateral platform. Rating frameworks must better capture structural vulnerabilities, climate-related risks and national policy efforts, while avoiding disincentives for development-oriented investment.

There is a pressing need to strengthen **international regulatory oversight of credit rating agencies**. Multilateral institutions should play a more active role in setting and enforcing transparent, accountable and development-sensitive standards. The United Nations system could support the establishment of an **independent international public credit rating entity** to enhance transparency and broaden assessment criteria. **Regional initiatives**, such as the African Credit Rating Agency, should be supported and recognised as key instruments to promote methodological diversity and regional ownership.

Key Message 6. ***Reform credit rating systems to enable fair access to development finance and reduce structural bias:*** *Credit rating agencies must be made more transparent, accountable and development-sensitive. Multilateral oversight is needed. Regional agencies like the African Credit Rating Agency should be supported to introduce methodological diversity and improve developing countries' access to affordable capital.*

7. Support the United Nations Framework Convention on International Tax Cooperation as the centrepiece of a fair and inclusive global tax system

The negotiation of a United Nations Framework Convention on International Tax Cooperation is a historic opportunity to rebalance global tax governance and deliver on long-standing demands from developing countries to ensure fairer allocation of taxing rights. All Member States must engage constructively in the negotiation of its terms. The Convention should establish coherent and transparent international tax norms, including equitable rules on the distribution of taxing rights, effective measures against tax abuse and illicit financial flows, and a robust framework for mutual administrative assistance. It should also create inclusive governance structures that guarantee the full and effective participation of developing countries in global tax standard-setting. Closing institutional capacity gaps must be integral to the Convention.

> ***Key Message 7.* Support the United Nations Framework Convention on International Tax Cooperation:** *The negotiation of a United Nations Framework Convention on International Tax Cooperation is a critical opportunity to build a fairer and more inclusive global tax system. All countries should engage constructively to ensure the Convention establishes common rules for equitable taxation, curbs tax abuses, and strengthens the voice and participation of developing countries in global norm-setting.*

8. Advance tax justice by rebalancing taxing rights and strengthening the taxation of multinational enterprises and the ultra-wealthy

A fairer international tax system requires a fundamental **reallocation of taxing rights** toward countries where economic activity takes place, particularly in the Global South. The principles of significant economic presence and unitary taxation could underpin a new framework for taxing multinational enterprises to ensure they are taxed where value is generated.

The implementation of **a global minimum corporate tax** must be strengthened by increasing the effective rate to at least **21–25%**, removing carve-outs and preferential treatments, and prioritising its application in source countries.

In parallel, the international community should work towards a **coordinated global minimum tax on the ultra-wealthy**, building on proposals advanced under the Brazilian G20 presidency. This should be complemented by the commitment by all countries to adopt the taxation of wealth, inheritances and appropriate taxation of capital gains as complements to the taxation of income. These should be seen as leading policies to tackle world inequality.

> ***Key Message 8.* Reform global tax rules to ensure fair taxation of multinationals and the ultra-wealthy:** *Rebalance taxing rights towards countries where real economic activity occurs. Apply the principles of unitary taxation and significant economic presence. Strengthen the global minimum corporate tax by raising the rate to 21–25% and removing loopholes. In parallel, advance a coordinated global minimum tax on the ultra-wealthy, complemented by measures on wealth, inheritance and capital gains taxation.*

9. Strengthen transparency, accountability and cooperation to combat tax abuses and mobilise public resources

Tax transparency is a cornerstone of effective cooperation. All countries should commit to public country-by-country reporting by MNCs, the exploration of international tools to enhance asset transparency, such as a possible **global asset register**, and the full implementation of beneficial ownership transparency standards. Automatic exchange of information must be accessible to developing countries under equitable terms. **Regional cooperation platforms** should be strengthened and replicated to support peer learning, policy coordination and bottom-up standard setting. These measures are essential to mobilise public revenues, reduce harmful tax competition and rebuild public trust in fiscal systems.

There is a need for clear criteria to govern the **taxation of natural resource exploitation**. Countries—particularly in the Global South—should avoid granting tax benefits to multinational enterprises extracting natural wealth. Instead, fiscal regimes should combine income taxes with royalty payments, robust regulatory frameworks and targeted environmental taxation, including green taxes on carbon emissions and pollution. These measures can support domestic revenue mobilisation while reinforcing climate and biodiversity goals.

> ***<u>Key Message 9.</u> Promote transparency, cooperation and capacity to tackle tax abuse and raise revenues:*** *All countries should commit to public reporting by multinational corporations, full beneficial ownership transparency, and consider options such as a global asset registry. Automatic exchange of information must be accessible to developing countries. Regional tax cooperation platforms in Africa, Latin America and Asia should be strengthened to support fair and effective tax systems. Clear criteria to tax natural resource exploitation should also be promoted to strengthen domestic revenues and align fiscal systems with climate goals.*

10. Unlock domestic resources to finance development with equity and sovereignty

Mobilising domestic resources is central to financing development agendas grounded in national priorities and to reducing dependency on volatile and conditional external flows. Yet, in many developing countries, structural constraints, institutional capacity gaps, and unequal global rules continue to undermine fiscal space. Recent declines in tax-to-GDP ratios reflect both the impact of global shocks and the persistence of informality, revenue leakages and weak enforcement. Corruption and illicit financial flows further erode public trust and state legitimacy while regressive tax systems reinforce inequality.

Club de Madrid calls for a renewed political commitment to strengthen domestic resource mobilisation through inclusive and **progressive fiscal reform**. This includes expanding tax bases, tackling harmful tax expenditures, integrating the informal economy, and ensuring the fair taxation of high-net-worth individuals and resource rents. Strengthening transparency, oversight and anti-corruption measures is essential to build confidence and ensure that public revenues finance sustainable development.

These efforts must be guided by country-led strategies and enabled through international cooperation in areas such as capacity-building, technology transfer and fair tax governance.

> ***<u>Key Message 10.</u> Unlock domestic resources to finance development with equity and sovereignty:*** *Club de Madrid urges governments to strengthen domestic resource mobilisation through inclusive and progressive fiscal systems. Reforms must expand tax bases, close equity gaps and integrate informal economies, guided by Integrated National Financing Frameworks. International partners should support capacity and technology to ensure domestic mobilisation aligns with national priorities and development justice.*

11. Protect and strengthen Official Development Assistance as a strategic investment in global peace and resilience

Official Development Assistance (ODA) remains a vital source of external finance for many developing countries, particularly those in special situations. Yet, instead of expanding to meet rising needs, ODA is under pressure. The recent dismantling of USAID, the reduction of ODA budgets, shifts to domestic priorities, and increased security spending in donor countries reflect a complex and shifting global landscape.

Club de Madrid recognises the difficult choices governments face. However, reallocating resources away from development to address immediate security concerns risks undermining long-term global stability. Development is not a competing priority—it is a strategic investment in peace and resilience. We therefore call on all development partners to reverse recent ODA reductions, fulfil their commitments—including the **0.7% of Gross National Income and the 0.2% target for Least Developed Countries (LDCs) targets**—and increase the share of long-term, predictable and country-owned development finance.

At a time of geopolitical tension and eroding trust, protecting ODA is essential to address structural inequalities, deliver on shared commitments, and sustain peace in fragile and conflict-affected contexts—including across the African continent, where ODA remains indispensable for long-term development and resilience.

The systematic underfunding of **civil society organisations**—particularly in the Global South—undermines the long-term effectiveness and legitimacy of development cooperation. ODA must support an enabling environment for civic actors, including through predictable and dedicated resources that recognise their role in service delivery, accountability and social cohesion.

> ***Key Message 11.*** ***Reaffirm ODA as a pillar of international peace and stability:*** *Development cooperation must not become collateral damage in times of geopolitical tension and fiscal pressure. Club de Madrid calls on all development partners to protect and scale up ODA, reaffirm their commitment to the 0.7% target—including 0.2% for Least Developed Countries—and ensure resources are long-term, predictable and aligned with country priorities. Redirecting funds from development to short-term security responses risks undermining global stability. ODA must support an enabling environment for civic actors. ODA is not charity—it is a strategic tool for peace, resilience and international trust.*

12. Leverage South-South and triangular cooperation to build shared solutions and regional leadership

South-South and triangular cooperation are powerful instruments to promote mutual learning, regional integration and context-driven solutions. They complement, but do not replace, North-South cooperation. In a multipolar world facing overlapping crises, South-South initiatives have demonstrated strong ownership, adaptability and solidarity. Club de Madrid calls for increased political, technical and financial support to scale up South-South and triangular cooperation, **strengthen regional and sub-regional platforms**, and deepen peer-to-peer collaboration in areas such as digitalisation, social protection, green transitions and tax cooperation. These modalities—including regional and national development bank, regional financial arrangements, and climate cooperation—must be embedded in the international development architecture, aligned with national priorities, and supported through increased coordination with the United Nations system.

South-South and triangular cooperation embody political ownership and mutual solidarity. In a context of growing multipolarity and fractured trust in the global system, these modalities offer concrete pathways to advance development through context-specific, regionally led and mutually reinforcing solution. This kind of cooperation contributes to shaping a more representative, inclusive and resilient international development architecture.

> ***Key Message 12.*** ***Elevate South-South cooperation as a cornerstone of a more equitable and multipolar development system:*** *South-South and triangular cooperation must be recognised and supported as key drivers of locally grounded and politically owned development. Club de Madrid calls for greater investment in regional cooperation platforms and stronger alignment of these modalities with global efforts.*

13. Defend a fair multilateral trading system against fragmentation and protectionism

Trade is a global public good that must be preserved and governed through rules-based, inclusive and predictable multilateral mechanisms. Recent announcements by the United States administration on new tariff measures reflect a growing trend towards unilateralism and economic nationalism that threatens to accelerate a global trade war. Trade wars benefit no one and carry destructive consequences for investment, food security, climate cooperation and global growth.

Club de Madrid warns against the erosion of multilateral trade rules and urges all governments to reaffirm their commitment to a universal, rules-based trading system, with the World Trade

Organization (WTO) at its core. We call for the urgent restoration of the **WTO dispute settlement** mechanism and renewed efforts to advance a new development-oriented negotiating round. Respect for existing tariff commitments, special and differential treatment for developing countries, and policy space to pursue industrialisation and green transformation must be enhanced. At a time of global instability, a functioning and fair trading system is essential to reduce fragmentation and restore trust in international cooperation.

> ***Key Message 13.*** ***Defend a fair multilateral trading system against fragmentation and protectionism:*** *Club de Madrid urges all countries to refrain from unilateral trade measures and recommit to a rules-based multilateral trading system. Trade wars are destructive and incompatible with international stability, development and climate action. The WTO dispute settlement system must be restored, tariff commitments upheld, and policy space enhanced for developing countries to industrialise and diversify.*

14. Align private capital with public purpose through accountability, incentives and institutional reform

Private investment has a role to play in financing sustainable development and climate action, particularly in contexts of constrained public resources. But this role is neither neutral nor automatic. Without clear direction, strong safeguards and enforceable standards, private finance can exacerbate inequality, displace public priorities and undermine accountability.

Club de Madrid acknowledges the need to mobilise **private capital** but stresses that its deployment must be aligned with public interest, bound by human rights and environmental standards, and designed to deliver demonstrable development impact. Mobilising private capital cannot substitute for public responsibility—it must serve it. Development finance must not be captured by profit incentives, but governed in line with equity, accountability and long-term public value.

De-risking instruments must ensure fair risk distribution and avoid public absorption of private failures. MDBs can expand the use of guarantees, blended finance and hybrid capital—but only where development additionality is clear, contingent liabilities are transparent, and national fiscal space is protected. Public institutions must also strengthen regulatory frameworks to guide private flows toward underserved sectors and regions, and invest in data, project preparation and regional integration to enhance absorptive capacity. At the same time, the private sector requires clarity, predictability and fair rules to engage at scale—but these enabling conditions must be designed to serve public goals, not replace them.

> ***Key Message 14.*** ***Make private investment work for sustainable development:*** *Mobilising private finance is essential, but must not compromise development priorities. Club de Madrid calls for safeguards to ensure risk-sharing mechanisms uphold equity and national ownership. MDBs can use their balance sheets to de-risk responsibly, while governments strengthen regulation, project pipelines and transparency. Private finance must operate within a public interest framework, reinforcing—not displacing—state responsibility.*

15. Scale up climate and environmental finance with urgency, equity and systemic coherence

Addressing climate change, environmental degradation, and biodiversity loss is not an environmental agenda—is not only a matter of justice—it is a matter of survival and for trust in international cooperation. A resilient global economy depends on healthy ecosystems, clean air, and stable access to food, water, and energy. Delaying climate and environmental action increases long-term costs through economic shocks, instability, and human suffering.

Yet current commitments and delivery remain far below what is needed to support developing countries in meeting mitigation and adaptation goals, addressing loss and damage, and financing a just transition.

Club de Madrid calls for a decisive and sustained **increase in public climate finance** from high-income countries, with priority given to grants and highly concessional instruments. Contributions to the Green Climate Fund, Adaptation Fund, and Loss and Damage Fund must increase significantly, accompanied by simplified access procedures and fair, transparent allocation mechanisms.

Finance must be balanced between mitigation and adaptation, and aligned with country-led strategies, particularly national development and economic plans, so that Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), Long-Term Strategies (LTSs), National Biodiversity Strategies and Action Plans (NBSAPs) are effectively planned, integrated, and financed, especially in climate-vulnerable, low-resilience-capacity nations. For many African countries and other climate-vulnerable nations, adaptation and resilience are urgent priorities that remain chronically underfunded. Private capital can contribute, but must be mobilised responsibly—through transparent de-risking, equitable risk sharing, and clear demonstration of development impact.

MDBs must integrate climate and environment into their core mandates, use their balance sheets strategically, and deploy innovative tools such as climate-resilient debt clauses, carbon taxes, sustainability-linked bonds and green bonds. The climate finance architecture must be made more coherent, accessible, and rooted in equity, country ownership and the principle of common but differentiated responsibilities.

All financial flows—public and private—must be aligned with low-emission, climate-resilient development pathways to ensure the achievement of the SDGs in the context of a changing climate.

> ***Key Message 15.*** ***Scale up climate finance with urgency, equity and systemic coherence:*** *Club de Madrid calls for urgent increases in public and concessional climate finance, including to the Loss and Damage Fund, Green Climate Fund and Adaptation Fund. Funding must be balanced across mitigation and adaptation, and aligned with national plans. MDBs should use their balance sheets to catalyse climate investment responsibly, while private finance must be de-risked with equity, transparency and development impact at the centre. All financial flows must be aligned with low-emission and climate-resilient development pathways.*

16. Financing for development must be anchored in shared principles and global responsibilities

Financing for development is not neutral. It must be guided by shared principles that reflect international commitments, planetary realities, and that serve the common good. Successful international financial cooperation in the 21st century requires the collective responsibility to invest where it is needed, the collective resolve to ensure fair and inclusive decision-making, and a willingness to share the burdens and the benefits of doing so. A renewed development compact, based upon such an approach to global public investment, would put respect for human rights, gender equality, environmental sustainability, national sovereignty, transparency, and accountability to work as common forces in the global financial architecture. All actors—public and private—have a responsibility to ensure that financial flows contribute to inclusive, rights-based and climate-resilient development. These principles are essential to rebuild trust, ensure legitimacy, and shape a financial architecture that delivers for people and planet.

> ***Key Message 16.*** ***Finance must follow values:*** *Financing for development must uphold human rights, gender equality, national sovereignty, and accountability. It must serve people and planet—not just markets. These principles are essential to build trust and ensure that all financial flows contribute to just, inclusive and sustainable development.*

17. Recommit to social investment as a cornerstone of sustainable development

Investing in universal and quality access to education, health, social protection, food systems and care infrastructure is essential to reduce inequalities, expand opportunity and build resilience against shocks. Yet social sectors remain underfinanced, particularly in low-income and vulnerable countries, where debt burdens and austerity pressures have forced cuts to public services. Club de Madrid calls on all governments and partners to prioritise public investment in social sectors and social policy as a central pillars of development strategies, including through fair and progressive taxation, adequate allocation of budgetary resources, and international support where needed.

The upcoming **Second World Summit for Social Development** is a key opportunity to reaffirm the right to social development and to ensure that financing for social sectors is recognised as a strategic investment in equality, stability and peace. This includes recognising and financing the care economy as a strategic sector for gender equality, job creation and social resilience.

> ***Key Message 17.*** ***Recommit to social investment:*** *Club de Madrid calls on all governments to prioritise investment in social sectors and social policy—including education, health, social protection and care systems—as a strategic priority. The Second World Summit for Social Development must reaffirm the right to social development and promote fair and sustained financing as the foundation for inclusive and peaceful societies.*

18. Harness digital innovation to advance inclusive and accountable financing

Inclusive financing is essential to ensure that no one is left behind in the mobilisation, allocation and use of financial resources. Digital technologies offer powerful tools to expand access to finance, improve targeting of public spending, reduce transaction costs, and strengthen transparency and citizen oversight. However, the benefits of digitalisation are not automatic—they require deliberate public policy choices to avoid reinforcing existing inequalities or enabling exclusion and surveillance.

Club de Madrid calls on governments and development partners to invest in digital public infrastructure, promote interoperable and rights-based digital payment systems, and support financial inclusion for women, youth, informal workers and rural communities. Regulatory frameworks must safeguard data privacy, consumer protection and fair competition, while ensuring universal digital access. Digital finance must be embedded in national development strategies and designed to empower people—not replace them.

> ***Key Message 18.*** ***Advance inclusive financing:*** *Digital technologies can accelerate financial inclusion and improve the efficiency and transparency of public finance. Club de Madrid calls for investment in inclusive digital infrastructure, rights-based payment systems and strong regulatory safeguards. Digital finance must be designed to close gaps—not widen them.*

19. Empower local actors to lead sustainable development through decentralised financing

Local and regional governments are on the frontlines of delivering the 2030 Agenda. Yet, they remain underfinanced, despite their central role in providing public services, advancing climate adaptation, and building social cohesion. Club de Madrid calls for increased fiscal decentralisation, direct access to development and climate finance for subnational actors, and strengthened capacities for local planning, public investment and revenue mobilisation.

Multilateral and national frameworks must recognise the importance of territorial development and create mechanisms that allow cities and local authorities to contribute meaningfully to national financing strategies and Integrated National Financing Frameworks (INFFs). Leaving no one behind starts with leaving no territory behind.

> ***Key Message 19.*** ***Invest in localisation:*** *Local and regional governments must be adequately financed and empowered to implement the 2030 Agenda. Fiscal decentralisation, direct access to funds and capacity support are essential to build inclusive, resilient and territorially balanced development.*

20. Strengthen multilateral accountability to deliver on financing commitments

Restoring trust in global cooperation requires credible mechanisms to monitor and enforce international commitments. Financing for development must not rely on voluntary pledges alone. Club de Madrid calls for stronger multilateral accountability systems to track progress on ODA targets, climate finance obligations, debt relief, tax cooperation and IFI governance reforms.

This includes transparent and comparable reporting, structured peer review, and regular assessments embedded within the United Nations system. What gets measured gets done.

> ***Key Message 20.*** ***Make global financing commitments accountable:*** *International cooperation must be backed by mechanisms that track delivery on promises—from ODA and climate finance to governance reforms. Multilateral institutions must strengthen transparency, monitoring and peer accountability to rebuild trust and legitimacy.*

A renewed political contract for financing sustainable futures for all

This document represents a collective call to action grounded in the belief that multilateral cooperation remains the most effective and legitimate path to address today's systemic challenges. The intersecting crises we face—economic, ecological, social, and political—are global in nature and demand global responses rooted in equity, solidarity, and trust.

The Fourth International Conference on Financing for Development (FFD4), together with the G20 presidency of South Africa, the Third United Nations Oceans Conference, COP30 in Brazil and the Second World Summit for Social Development, can mark a turning point. These cannot be seen as routine events in the multilateral calendar. They are one of the few opportunities to restore confidence in international cooperation, shift the trajectory of global finance, and deliver real progress to people, nature and planet. Their success demands that countries commit to the basic principles for international cooperation in the 21st century: the collective responsibility to invest where it is needed, the collective resolve to ensure fair, transparent, people-centred and inclusive decision-making, and the willingness to share the benefits and the burdens in doing so.

Club de Madrid, through its membership of democratic former Heads of State and Government, urges the international community to act with the seriousness this moment demands. Bold yet feasible reforms are within reach—and delay carries a cost. As geopolitical tensions deepen and trust deteriorates, fulfilling long-standing commitments—from Monterrey and Doha to Addis Ababa, the Paris Agreement and the 2030 Agenda—is no longer only a matter of policy. It is a test of international credibility and shared responsibility.

Now is the time to demonstrate that a reformed, inclusive and effective multilateral system can deliver meaningful outcomes for all. Finance is not an end in itself. It is a tool to dignity, opportunity, resilience and sustainability. Let us seize this moment to renew the political contract for financing sustainable futures, and to shape a global financial system that serves everyone, everywhere.