Proposed Reforms to the International Financial Architecture at the Summit of the Future 2024

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The road to the Summit of the Future

- Summit outcome document will address **Sustainable Development and Financing for Development**; International Peace and Security; Science, Technology, and Innovation and Digital Cooperation; Youth and Future Generations; and **Transforming Global Governance**
- The Zero-Draft was released 26 January
Reform of the International Financial Architecture – Why now?

• The International Financial Architecture is **not built for purpose** to face today’s challenges

• **Increasing incoherence** with proliferation of informal groupings and growing importance of private lenders

• The result is **insufficient resourcing** for sustainable development and global public goods, and host of **inequities** disadvantaging developing countries
Towards a “new Bretton Woods” moment?

Source: Our Common Agenda Policy Brief 6: Reforms to the International Financial Architecture

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Reforming international financial institutions

Secretary-General’s Reform Proposals

- Enhance **representativeness** and **transparency** of international financial institutions to reverse increasing concentration of power
- Reform to voting rights, board membership

**IMF Quota Distribution by Income Grouping**

- 66.0% High-income countries
- 32.4% Middle-income countries
- 1.5% Low-income countries

Zero-Draft Text

- Calls for **greater voice and participation** of developing countries in economic decision-making, norm-setting, and governance.
- **Supportive of ongoing governance reform processes** at international financial institutions
## Financing development and ensuring financial safety nets

**Secretary-General’s Reform Proposals**

- Calls for an **SDG stimulus** of at least $500 billion per year through development bank action and enhanced public and private finance
- Need for **more automated and countercyclical SDR issuance** and to de-link access to resources such as SDRs from quotas, with allocations instead based on need and vulnerability

**Zero-Draft Text**

- **Welcomes the call for an SDG Stimulus** and for multilateral development banks to shift practices towards **more favourable loan terms**
- Calls for development finance and liquidity support **based on need and vulnerability**
- Building consensus around specific reforms of International Financial Institutions has been **challenging**
## Prevention and management of debt crises

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<th>Secretary-General’s Reform Proposals</th>
<th>Zero-Draft Text</th>
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<td>• Agree to adopt <strong>principles for responsible sovereign lending and borrowing</strong></td>
<td>• Recognizes a need for “<strong>timely, predictable, and fair</strong>” debt restructuring and relief measures</td>
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<td>• Create a <strong>public registry of debt data</strong> to improve transparency</td>
<td>• Encourages a <strong>comprehensive review of the sovereign debt architecture</strong> in advance of the Fourth International Conference on Financing for Development (2025).</td>
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<td>• Normalize <strong>state-contingent clauses</strong> for automatized relief in the face of shocks</td>
<td>• Review to include the <strong>principles of responsible borrowing and lending</strong>, <strong>existing tools for debt analysis</strong>, and proposals for <strong>increasing transparency</strong></td>
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<td>• Establish a <strong>debt workout mechanism</strong> with greater access for middle-income countries</td>
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<td>• In the long-run, create a <strong>sovereign debt authority</strong> to implement a <strong>multilateral legal framework</strong> for debt restructuring</td>
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“We welcome the Secretary-General’s decision to convene a biennial summit at the level of Heads of State and Government between the members of the Group of 20 and the members of the Economic and Social Council, the Secretary-General and the heads of the international financial institutions, in order to achieve progress in building a stronger and fairer international financial architecture.”
Coming Events

- The Pact for the Future **remains under negotiation**, with the Summit scheduled for 22-23 September
- *AFSD session on Wednesday, 06 March, 11:15 AM*

- **Fourth International Conference on Financing for Development** to be hosted in Spain in 2025
- Will assess **implementation of previous commitments**, identify actions to **address the growing SDG financing gap**, and support **reform to the international financial architecture**
- Preparatory committee launched 22 February 2024
Thank you

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