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Thematic Briefing

INTERNATIONAL FINANCIAL ARCHITECTURE

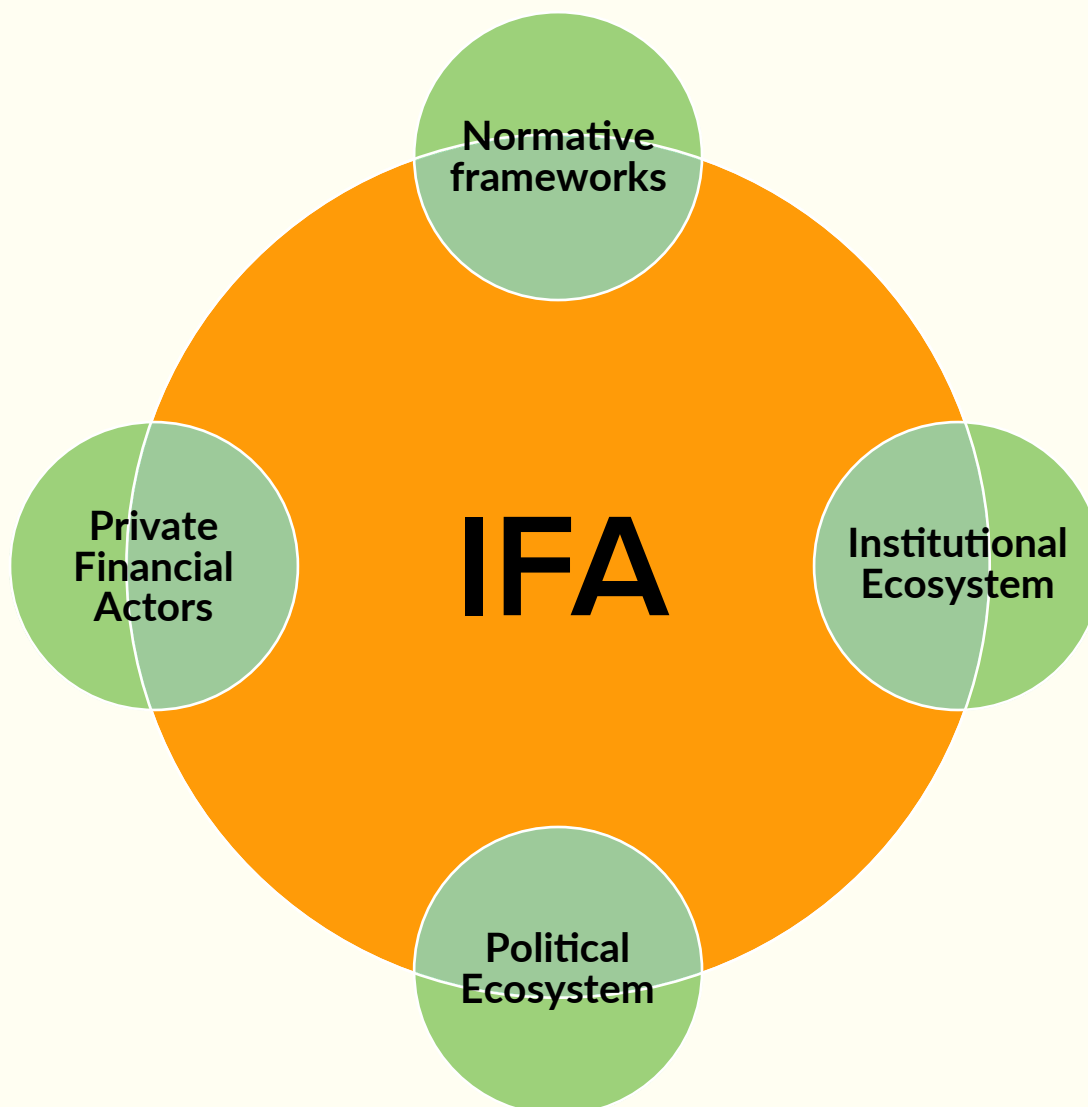


Introduction

The term ‘international financial architecture’ has been experiencing a resurgence in popularity, largely thanks to the Fourth International Conference on Financing for Development (FfD4), which took place from June 30 to July 3, 2025, in Seville, Spain.

Despite the extensive discourse surrounding this concept since the late 1990s, there is no universally accepted definition of what is meant by the term ‘international financial architecture’ (IFA). Generally speaking, IFA refers to a comprehensive framework comprising institutions, rules and agreements, policies, and practices that govern the global financial and monetary system. Amongst others, it includes:

- Normative frameworks in international law (e.g. current negotiations for a binding UN Framework Convention on International Tax Cooperation) and relevant multilateral agreements
- Regional financial arrangements (e.g., Chiang Mai Initiative Multilateralization)
- Mandates and governance of international financial institutions (e.g., IMF, World Bank, and multilateral and regional development banks, Bank for International Settlements)
- Financial standard setting bodies (e.g., Basel Committee for Banking Supervision, and International Organization of Securities Commissions)
- Informal country groupings (e.g., G7, G20, and G77)
- Creditors groupings (e.g., Paris Club and London Club) and borrowers’ groupings and
- Credit rating agencies (e.g., Moody’s and Standard and Poor’s)



The current IFA, established following the Second World War at the 1944 Bretton Woods conference (New Hampshire, USA), is becoming increasingly anachronous and ineffective in addressing the needs and challenges of the twenty-first century. Due to its inability to adapt and serve changing economic and political forces, the current IFA is failing to address current developmental challenges and to provide global public goods amid threats like climate change, pandemics, and geopolitical conflicts. More importantly, this system does not represent the voices of most of the world's population. Indeed, one of the primary reasons the world is currently facing multiple crises is the undemocratic structure and functioning of the IFA.

It is high time that the current IFA be drastically reformed to adapt and serve the present needs rather than clinging to economic powers and geopolitical priorities of the past century. The goal of a reformed

IFA should be to strengthen economic cooperation and financial stability for the benefit of all countries, not just one or a small group of them. Therefore, the challenge before FfD4 was to design an architecture that could address cross-border spillovers and global public goods while respecting the domestic priorities of individual countries. Unfortunately, the ambition for critical systemic governance reforms was compromised during the FfD4 negotiations and should now be re-established for the FfD4 follow-up process.

The design of a new financial architecture necessitates a comprehensive approach, requiring a significant realignment towards a more responsive and representative system of global economic governance, particularly in consideration of least developed and developing countries, given their current lack of representation and voice.

The Bretton Woods System and its Enduring Legacy

The Bretton Woods system, designed by and for developed countries with 44 participating nations, was established when many Asian and African countries were under colonial rule. It created rules and institutions to regulate the international monetary and financial system, aiming for exchange rate stability and the prevention of competitive devaluation. The system was built around fixed (adjustable) exchange rates, with currencies pegged to the U.S. dollar, which was in turn pegged to gold at \$35 an ounce. Institutions like the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (now part of the World Bank Group) were established.

Governments played a central role in managing exchange rates, balance of payments, liquidity, and payment arrangements within this system, which allowed current account convertibility, but permitted the use of capital controls to regulate cross-border capital movement. In 1971, U.S. President Richard Nixon ended the gold convertibility of the U.S. dollar, effectively terminating the Bretton Woods system due to an impending run on U.S. gold reserves by foreign investors and central banks.

The 1970s saw the end of fixed exchange rates, and since the 1980s, capital controls were dismantled, leading to the rise of global capital markets driven by liberalization, globalization and technological advancements. From the 1980s, under the neoliberal economic framework, open and global financial markets became the primary means for global resource allocation.

While the core tenets of the Bretton Woods system, such as fixed exchange rates and autonomous national financial systems, are no longer applicable, key elements and institutions of the system (such as the U.S. dollar's dominance and the IMF) continue to be influenced by the outcomes of the Bretton Woods Conference. More importantly, the IMF's legacy, especially its surveillance function of monitoring the economic and financial policies of its 191 member countries, endures with minimal changes to its voting structure and decision-making processes over the past 80 years.¹ Despite promises for more equity with long awaited negotiations, the IMF 16th Review of Quotas concluded in 2023 without meaningful reform to shift the balance of power and ensure a more accurate representation of countries in the global economy. The debate on a much-needed change on the flawed quota formula continues without real advances to this day.

¹ Hung Tran (2024), Understanding the debate over IMF quota reform, Atlantic Council, March 28. Available at: <https://www.atlanticcouncil.org/blogs/econographics/understanding-the-debate-over-imf-quota-reform/>

Financial Crises and IFA Reforms: A Cyclical Pattern

Calls for reforming the international financial system and its architecture have increased since the 1990s due to major currency, banking, and debt crises in several emerging markets and developing economies (EMDEs), including Mexico (1994-1995), the Asian financial crisis (1997-1998), Russia (1998), Brazil (1998-2002), Turkey (1999-2002), and Argentina (2000-2001). These crises caused significant economic contractions, business closures and job losses.

Primarily triggered by capital account imbalances², these crises underscored the structural deficiencies of the international system in managing risks from globalized finance, especially short-term private capital flows. The Asian financial crisis sparked debate on the inadequacies of the IFA and the need for reform. The Asian financial crisis was primarily a capital account crisis, triggered by sudden and massive reversal of short-term portfolio flows.³ The crisis then evolved into a banking crisis due to capital flows through domestic banks. The IMF's mishandling of the crisis, namely one-size-fits-all policy prescriptions including harmful austerity measures and structural reforms, led Asian policymakers to question the relevance and effectiveness of the existing IFA.⁴

The severity of the Asian financial crisis and contagion was unique, acting as a catalyst for contemporary thinking on a 'new international financial architecture'. The Asian crisis amplified the demand for reform of the IFA and played a pivotal role in shaping the International Conference on Financing for Development (FfD), commonly referred to as the

Monterrey Conference and related [Monterrey Consensus](#). Held in Monterrey (Mexico) in 2002, this event marked the inaugural summit-level meeting on this subject under the auspices of the United Nations, energizing the United Nations' role and mandate on global economic governance and systemic reforms which led to the [successive FfD Conferences](#) and ongoing follow-up process in all its articulations.

Despite extensive discussions during the Asian crisis, reforms were limited. For instance, no significant reforms were implemented to mitigate the volatility and procyclicality of capital flows or to substantially enhance IMF governance. As Asian economies recovered, the momentum for IFA reform diminished in the early 2000s. However, the global financial crisis of 2007-09 revived interest in the topic and led to renewed calls for further reforms to the IFA at multiple international fora, and most notably the Outcome of the UN Conference on the World Financial and Economic Crisis and Its Impact on Development, November 2009.⁵

The global financial crisis, which originated in the U.S. subprime mortgage markets and escalated into the most severe financial crisis since the Great Depression, exposed significant shortcomings in the pre-crisis IFA. It demonstrated how financial contagion serves as a shock propagation mechanism, posing systemic risks in interconnected global financial markets.

Examining various financial crises suggests that interest in IFA reform follows a cyclical pattern, with intense discussions during crises and relative quiet during non-crisis periods.

A Patchwork Quilt

Over the past five decades, public and private stakeholders have initiated several policy reforms to reshape the global financial system. Some efforts established new international policy forums and

regulatory standards, while others fine-tuned existing financial institutions, lending facilities, and regulatory frameworks. Nonetheless, these initiatives were not part of a comprehensive architectural plan formed

² A capital account imbalance occurs when a country's capital inflows are not equal to its capital outflows. A surplus in the capital account means more money is coming into the country. A deficit in the capital account means more money is flowing out of the country.

³ For a detailed account of Asian financial crisis, see Kavaljit Singh (1998), *The Globalization of Finance: A Citizen's Guide*, Zed Books.

⁴ See J.E. Stiglitz (2002). *Globalization and Its Discontents*. New York, NY: W. W. Norton & Company.

⁵ See, Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, United Nations, November 2009. Available at: https://www.un.org/esa/ffd/wp-content/uploads/2014/09/Outcome_2009.pdf.

through extensive global consultations, nor did they transcend the neoliberal philosophical framework that considers market forces as predominantly stabilizing and optimal for global resource allocation. These initiatives also failed to provide a realignment towards a more responsive and representative system of global financial governance.

There are five key aspects of the evolving international financial architecture. First, most IFA reforms were initiated in direct response to financial crises. Without such crises, these reforms would not have occurred. Notable institutional and policy changes include:

- The first oil shock and the collapse of the Bretton Woods system in the early 1970s led to the creation of the Group of Seven (G7) in 1975 to coordinate international economic policy.
- The Basel Committee on Banking Supervision (BCBS) was formed in 1975 to set international financial standards after the failure of Bankhaus Herstatt (a private bank in West Germany) in 1974 due to risky foreign exchange transactions.
- Debt relief initiatives, such as, the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) were spurred by sovereign debt crises in Latin America.
- The 1997 Asian financial crisis prompted the creation of the G20 as a forum for the Finance Ministers and Central Bank Governors to discuss global economic and financial issues. The Financial Stability Forum (FSF) was another creation of the Asian crisis to coordinate the activities of the financial standard-setting bodies (such as the BCBS and IOSCO).⁶ Additionally, the Chiang Mai Initiative Multilateralization (CMIM), the first regional currency swap arrangement in East Asia, was launched by the ASEAN+3 countries in May 2000 following the Asian crisis.
- Following the 2008 global crisis, the G20 was elevated to the Heads of State/Government level and designated itself as the 'premier forum for international economic cooperation'. In April 2009, the FSF⁷ was expanded into the Financial

Stability Board (FSB)⁸ with a broader mandate and an extended membership, aiming to coordinate with national financial authorities and international regulatory bodies to strengthen the global financial system. Under G20 leadership, modest reforms were undertaken to the IMF's quota and vote share systems. During this period, global financial regulatory and supervisory reforms were also revised. To address Basel II deficiencies, the Basel III standard consisting of minimum capital, leverage and liquidity requirements to major banks was introduced. Similarly, IOSCO updated its Objectives and Principles of Securities Regulation, adding two new principles focused on systemic risk.

- Interestingly, while the G20 was self-appointing itself as the 'premier forum for international economic cooperation', UN Member States, at the strong demand of the G77, agreed to the outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development⁹, which demanded a UN-centred response to the crisis, following the spirit of the Monterrey Consensus. The G20 was therefore strengthened to explicitly prevent a global democratic response to the global financial crisis and maintain status quo.
- In response to COVID-19 pandemic and developing countries' financing needs, the IMF issued SDR 456.5 billion (equivalent to about US\$650 billion) in August 2021 and increased access to its emergency facilities. Symbolically, the IMF and World Bank allotted Africa a third seat on their executive boards, and the African Union joined the G20 as a full member in 2023.

Second, most implemented reform initiatives are ad hoc, piecemeal, and incremental measures intended to address gaps in current financial regulatory frameworks. The changes introduced are cosmetic rather than targeted at the structural transformation of the global financial system. The least impressive reforms concern TBTF (Too-Big-To-Fail) financial institutions and global accounting standards.

⁶ The International Organization of Securities Commissions (IOSCO) is a standard setter in international securities markets. It is an association of securities regulators operating in more than 130 jurisdictions, covering 95% of world's securities markets.

⁷ The original members of the FSF are Australia, Canada, France, Germany, Hong Kong, China, Italy, Japan, the Netherlands, Singapore, Switzerland, the UK, and the US.

⁸ The FSB comprises G20 members not previously in the FSF, spanning 25 jurisdictions, and also includes 13 international organizations and standard-setting bodies.

⁹ https://www.un.org/esa/ffd/wp-content/uploads/2014/09/Outcome_2009.pdf

Third, the current arrangements are inadequate for preventing or managing a global systemic financial crisis. Conceptually, they lack a systemic approach to address the aggregate risk resulting from the interconnected global financial system, which is more complex and substantial than the failure of a single institution or a market. What is missing is an integrated action in advance of the time to prevent or manage future crises and shocks.

Fourth, institutional arrangements such as the Basel Committee on Banking Supervision and the Financial Stability Board lack legal binding power due to the absence of formal treaty obligations among their member states. These are informal arrangements, devoid of legitimacy and – most importantly – universalism. They continue to maintain global economic governance in the hands of a handful of developed countries and primarily, if not exclusively, respond to their interests.

Fifth, there is a lack of consistency in the implementation of certain reforms introduced by the BCBS, FSB, and G20 across member jurisdictions due to their informal status. This inconsistency has caused uneven regulatory application and overlapping responsibilities between the IMF and FSB, particularly concerning the early warning system. Today technology is rapidly reshaping financial services. While it has enhanced financial inclusion, it has engendered new risks, which, if left unaddressed, could precipitate significant systemic issues. Technology-

driven risks in the financial system are inherently complex, given the extensive interconnectedness of the contemporary global financial system, and necessitate collaboration among regulators across borders, which is currently lacking.

In essence, the unplanned reforms and informal institutional arrangements resemble a patchwork quilt comprising overlapping initiatives undertaken by major financial centres, rather than a well-defined architectural or interior design framework. Notwithstanding the complete exclusion of low-income countries from deliberations regarding the evolving IFA reforms, even middle-income countries and their financial centres were afforded minimal influence in the design of financial standards and institutional arrangements that have direct ramifications for their financial systems and economies.

While the international community began discussing IFA reforms after two major financial crises, the current IFA remains inadequate to mitigate capital flow volatility and procyclicality, to involve the private sector through sovereign debt restructuring for fair burden sharing, and to resolve cross-border insolvency of international active firms for fair sharing among countries, among other issues. The requisite political will to address power imbalances and enhance the inclusivity and representativeness of global financial governance through more equitable decision-making processes has been lacking.

Why the Urgent Need for IFA Reforms?

The necessity for reforming international financial architecture has increased significantly in recent years, primarily attributable to five major factors.

Firstly, the current IFA is inadequately designed to address the challenges posed by the contemporary global economy, which is characterized by floating exchange rates, interconnected global financial markets, the emergence of new economic powers, and unrestricted capital flows across borders. Initially conceived by and for developed countries, many of its shortcomings are systemic in nature and fundamentally

question the leadership, coherence, efficiency and legitimacy of prevailing global economic governance.

Although several piecemeal and ad hoc reforms were introduced in response to various financial crises, these measures were relatively limited in scope, evolutionary in nature, and preserved the existing power structure. Rather than tinkering at the edges, what is required is a redesign of the architecture of the present-day international financial system to better align with the demands of today's global economy and serve the needs of all countries.¹⁰

¹⁰ For details, see Kavaljit Singh (2010), *Fixing Global Finance: A Developing Country Perspective on Global Financial Reforms*, Madhyam and SOMO. Available at: <https://www.madhyam.org.in/books-third-2/>.

Secondly, the governance structure and accountability of international institutions (such as the IMF and World Bank) have not undergone significant improvements, despite quota reforms and the recent addition of a few seats on their respective boards to represent the interests of poor and developing countries. Although the G20 and the Financial Stability Board currently occupy central positions in financial regulatory reforms and economic policy processes, they are nonetheless informal, ad hoc, and exclusive forums without any treaty underpinnings to legitimize their role in global policymaking.

Thirdly, the failure of existing IFIs and other exclusive forums (such as the G7 and G20) to address the growing debt distress in low and middle-income countries and to resolve difficulties in debt resolution has revealed the ineffectiveness of the current IFA framework that predominantly serves the interests of creditors at the cost of domestic taxpayers. Zambia and Sri Lanka are cases in point, where debt default meant dealing with a slow, opaque and ineffective G20 Common Framework for the former, and a harsh IMF programme with stalled debt negotiations for the

latter. Both illustrate how the current IFA frameworks reinforce creditor interests, leaving debtor populations to absorb the shock.

Fourthly, the current IFA is evidently inadequate in addressing global threats like climate change, pandemics, and geopolitical tensions. Achieving the Sustainable Development Goals (SDGs) and transitioning to a low-carbon economy require trillions of dollars annually, necessitating a structural transformation of the global financial system and its architecture.

Finally, the dominance of the U.S. dollar in the global financial system gives the Federal Reserve's monetary policy actions an outsized influence on global monetary conditions and the global financial cycle. The growing weaponization of the U.S. dollar and the dollar-based payments system by successive U.S. administrations has prompted BRICS countries and others to explore alternatives, driving the trend of de-dollarization. If de-dollarization gains significant momentum, it could transform the dollar-dominated global monetary system, shift the balance of power among countries, and reshape the global financial system.

Growing Calls to Reform IFA

The increasing interest within the international community in reforming the current international financial architecture is a welcome development, despite the lack of consensus on many important policy areas, nature, and appropriate institutions to pursue and implement reforms. Although most key stakeholders agree, in principle, on the need for a better international financial system, there is no unanimity among them regarding how to transition towards it. This is not surprising, as diverse stakeholders possess divergent priorities, viewpoints, and philosophies.

There is no scarcity of policy proposals to reform the international financial system and its governance framework. Indeed, in 1974, the United Nations General Assembly adopted the 'Declaration for the Establishment of a New International Economic Order' (NIEO) and its accompanying programme of action.¹¹ This initiative encompassed a series of proposals advanced by developing nations to reform the prevailing rules of the international financial

system, along with trade, industrialization, and technology transfer. Since then, numerous policy proposals have been advanced by the G77, civil society organizations, academia and think tanks delineating IFA reforms.

The current reform proposals put forward by multilateral development banks (MDBs) generally aim to improve operational efficiency and financial capacity to tackle global challenges and can be characterized as self-driven incremental changes. In contrast, reforms suggested by civil society organizations, think tanks, and political leaders typically take a more systemic approach (such as new policy instruments, the democratization of existing institutions, and the establishment of new institutions) in order to tackle systemic crises.

Of late, there is a surge in calls for extensive policy and institutional reforms that extend well beyond the core issues of the IFA, such as exchange rates, banking standards and codes, global liquidity, and new lending facilities. Advocates of these reforms are

¹¹ Declaration on the Establishment of a New International Economic Order, 1974, available at: <https://digitallibrary.un.org/record/218450?ln=en&v=pdf>

pushing for a comprehensive overhaul of the prevailing international financial architecture, underpinned by international solidarity and cooperation. They are in search of a new IFA that is well-suited to address the diverse challenges of the twenty-first century, including those related to systemic financial crises, volatile capital flows, financial exclusion, rising debt, cross-border tax evasion, climate risks, pandemics, biodiversity loss, income and wealth inequalities, and other developmental concerns. Such voices perceive the IFA reforms as significant measures to rectify the current unjust global financial order and advocate for increased representation of the majority of the world's population in the discussions on creating a new international financial architecture.

Several recent international official initiatives echo IFA reform calls, including the UN's [Our Common Agenda](#), the V20 group's [Accra-Marrakesh Agenda](#), the [Bridgetown Initiative](#), the [Paris Pact for People and the Planet](#), the [Africa Climate Summit](#), the [2024 African Union Summit](#), and the [G20's New Delhi Leaders' Declaration](#). These endeavours, while not

consistently presenting novel policies, serve to amplify the global discourse on IFA reforms.

Unlike other exclusive forums, the United Nations Financing for Development process has emerged as an inclusive and highly suitable platform for discussing reforms in global financial governance within the United Nations framework, owing to its one-country-one-vote principle. This is particularly important for the least developed and developing countries, whose voices are systematically marginalized in the Bretton Woods Institutions (BWIs) and other fora. The UN General Assembly decision to establish a UN Framework Convention on International Tax Cooperation¹² is the most notable attempt to democratize global economic governance and establish global binding rules on tax regimes. The African Union, at its first African Union Debt Conference in Lomé, Togo (May 2025)¹³, is now calling for a UN Framework Convention on Sovereign Debt, embracing a long-lasting call by civil society and consolidating an emerging shift to regroup institutional reforms within democratically approved global normative frameworks in international law.

Time to Walk the Talk

In principle, the emergence of several new initiatives (in the form of forums, summits, and conferences), aimed at reforming the current international financial architecture, is a positive development.

The proliferation of various initiatives underscores the significance of IFA reforms in addressing current challenges, while simultaneously giving rise to complexity and duplication due to the absence of coordination among different forums. Undeniably, substantive complexity is inherent in the IFA reform negotiations because of the intricate, technical nature of its subject matter. Nonetheless, the plethora of multiple global forums and conferences with a long list of overlapping reform proposals amplifies the intricacy of the process, rendering it challenging for non-specialists to comprehend which specific area of the reform agenda is being addressed under which forum, and why? The process complexity poses a challenge for smaller countries in tracking negotiations, and it also renders issue-based

advocacy by civil society groups and policy experts somewhat difficult. Thus, it is essential to define clear roles and responsibilities within forums working towards IFA reforms and clearly distinguish between those that have democratic legitimacy and jurisdictional power from those that continue to consolidate informality and exclusivity.

Given the urgent need for reforms, it is also essential that global policy forums avoid becoming mere 'talking shops' with unfulfilled promises. While it is important to maintain realistic expectations for forthcoming events in the current geopolitical context, achieving full consensus on the specifics and timeline of proposed reforms among all member countries is improbable. Nonetheless, there should be a time-bound commitment and a minimum guarantee to show the global community that progress on the reform agenda is achievable through coordinated efforts. Otherwise, interest in IFA reforms may quickly diminish.

¹² <https://csoforffd.org/conference/un-tax-convention-negotiations/>

¹³ <https://au.int/en/newsevents/20250512/african-union-conference-debt>

Eleven Guiding Principles for Systemic Reforms

Restructuring the international financial system necessitates a set of guiding principles to guide overall strategy and specific policy actions. Policymakers should prioritize the following eleven principles to articulate a clear understanding of priorities, innovative proposals, systemic thinking, and the momentum for reforms.

First, addressing IFA complexities requires recognizing that **structural problems need multifaceted solutions, not a single remedy**. Solutions to structural impediments cannot be achieved through a single summit or conference. Put simply, there is no quick fix. For example, implementing an international financial transaction tax in systemically important jurisdictions would require ongoing monitoring and adjustments to ensure its effectiveness.

Second, policymakers must revisit the basic concept and purpose of finance. The financial sector should serve the real economy, not vice versa. The financial economy, which encompasses products such as loans, bonds, and shares, provides the real economy with the necessary resources that businesses utilize for the production of goods and services. Finance is crucial for facilitating key economic functions. **It is imperative that a reformed international financial architecture channels financial resources (both nationally and globally) primarily toward productive activities rather than speculation and other non-productive endeavours.**

Third, policymakers should recognize that **international financial stability is an important global public good (GPG)**. It is vital to ensure financial stability at both micro and macro levels, even if some central banks and financial authorities lack explicit mandates for this responsibility in their charters.

Fourth, the 2007-2009 global financial crisis has gradually shifted the intellectual climate from a purely market-based financial system towards a more regulated one, creating new opportunities to expand the IFA reform agenda. However, elements of laissez-faire neoliberalism, advocating for deregulated global financial markets, still hold sway in many countries, making it premature to claim a paradigm shift in global financial market regulation and supervision. While a complete paradigm shift from laissez-faire neoliberalism is still far away, the need for immediate action to develop new institutional frameworks for governing a

regulated financial system (in collaboration with global regulatory bodies and established international financial institutions) cannot be overstated. These new institutional frameworks should be formal, treaty-based arrangements with distinct mandates and responsibilities. **In this context, the United Nations – with its democratic, participatory, and international character – is uniquely positioned for multilateral discussions and decisions on the IFA reforms.**

Fifth, since the 1990s, the global financial system has significantly transformed due to mutually reinforcing financial and technological innovations. However, regulatory and supervisory responses have lagged behind. Policymakers and financial regulators are often preoccupied with addressing the consequences of the most recent financial crisis, potentially overlooking emerging systemic risks arising from cross-border interconnectedness. Recent crises demonstrate that local financial shocks can rapidly transmit across borders and take on a global dimension due to financial interconnectedness. A holistic approach is required to address the interconnected global crises rather than treating them as separate occurrences. **This includes stringent monitoring of lightly regulated entities like asset management companies, hedge funds, private equity funds, mutual funds, and non-banking financial institutions.** These entities often have significant ties to banks, insurance companies, and other financial market segments.

Sixth, IFA reform measures must align with both **national and global development imperatives**. This implies, for instance, the establishment of progressive tax regimes at the domestic level and a cohesive global tax governance architecture. The work programme must also incorporate the reforms of international trade and investment agreements that prohibit the use of capital controls, as well as addressing the systemic risks associated with increased market concentration and increasing financialization of critical sectors like healthcare, education and infrastructure.

Seventh, politics and geopolitics are of significant importance. The main obstacles to restructuring the global financial system are predominantly political, rather than technical or administrative. This can be seen by the continuous blockage of IMF quota reforms and the absolute dilution of ambition seen in the FfD4 Outcome negotiations by Global North countries and blocs (US, EU, UK). The lack of strong political will from

world leaders significantly hinders progress in various areas of IFA reform. Often, reform discussions focus on the technical facets of IFA, overlooking the political economy context. IFA reforms concerning sovereign debt and global taxation entail moral and ethical considerations too. Given the growing significance of geopolitics in international finance and trade, policymakers must account for the implications of a geopolitically fragmented world order on the feasibility and implementation of IFA reforms.

Eight, the strategic role of nation states and their coordination in designing and implementing IFA reforms is crucial. After all, all internationally agreed standards, rules, and agreements are actually operationalized and enforced by national authorities within their jurisdictions or contexts. Furthermore, the accountability for the successes and failures of IFA reforms primarily rests with member countries and their bodies involved in these initiatives. The same member countries are answerable and accountable to their domestic constituencies for their actions or inactions. Therefore, national-level popular mobilization is vital when pushing for IFA reforms globally.

Ninth, international policy cooperation is crucial for addressing systemic financial risks such as contagion, common exposures, and idiosyncratic risks stemming from financial interconnectedness. It also aids in mobilizing resources to achieve the Sustainable Development Goals and other long-term development projects on a global scale. International cooperation relies on shared interests and mutual trust, both of which are currently in scarce supply. It is most effective when national interests align and countries engage in reciprocal efforts for the common good. Achieving ambitious IFA reforms may appear distant due to current geopolitical alignments impacting global financial and trade flows.

Tenth, global solidarity is a key foundational principle that can overcome the realities of unequal power relations and foster international cooperation on IFA reforms. Undoubtedly, the escalating geopolitical tensions, militarization and conflict, accompanied by the rise of populist nationalism across the world, pose a formidable challenge to global solidarity and render the achievement of international agreements on IFA reforms even more arduous. Despite these challenges, global solidarity is an essential prerequisite (not a matter of choice) for creating a stable and equitable international financial system.

Although the original New International Economic Order failed to achieve its stated objectives with the onset of the Third World debt crisis, it succeeded in numerous ways in fostering global solidarity and continued to allude to potential options for establishing a new economic world order. While the ethos underpinning the 1974 NIEO initiative is absent in contemporary times, the concept of establishing a new international economic order and enhanced global cooperation under UN auspices persists. The final text of agreements and commitments adopted at the Monterrey Conference (2002) emphasized the priority to 'reinvigorating the United Nations system as fundamental to the promotion of international cooperation for development and to a global economic system that works for all. We reaffirm our commitment to enabling the General Assembly to play effectively its central role as the chief deliberative, policy-making and representative organ of the United Nations, and to further strengthening the Economic and Social Council to enable it to fulfil the role ascribed to it in the Charter of the United Nations'.

In 2018, the United Nations General Assembly adopted the resolution 'Towards a New International Economic Order', which reaffirmed the necessity to continue efforts towards establishing a new international economic order.

Furthermore, IFA reforms should not be viewed through the prism of zero-sum thinking. Initially, these reforms may diminish the decision-making power of the United States and the European Union in IFIs while enhancing representation from the Global South. In the long run, however, IFA reforms would be mutually beneficial since all nations share a common interest in pursuing global financial stability.

Eleventh, given the profound impact of global financial issues on the lives and livelihoods of the vast majority of people, the policy decisions on these matters should not be left in the hands of wealthy financiers, central bankers, technocrats, and IFIs alone. The involvement of least developed countries and emerging markets is paramount to ensure the credibility and legitimacy of the IFA reform negotiations. Additionally, discussions should encompass representatives from citizen groups, non-governmental organizations, think tanks, academia, labour unions, and parliamentarians. No single individual or institution has all the comprehensive expertise, knowledge, and wisdom needed to reform the current international financial architecture.

Policy Recommendations

Given the vast scope of subject areas covered under the IFA reforms, it is not feasible to address them all in this short briefing paper. Our policy recommendations in nine critical areas of the international financial system and its architecture are discussed in detail in separate briefings and proposals:

1. Reinvigorate Mandate and Governance Reforms of the IFIs and MDBs
2. Relaunch the Post-crisis Banking Reforms
3. Regulate and Supervise Non-Bank Financial Intermediaries
4. Move Away from a U.S. Dollar-Centric Financial System to a Multilateral Currency and Reserve System
5. Widen and Strengthen the Global Financial Safety Net
6. Establish a Multilateral Legal Framework to Tackle the Global Debt Crisis in the Form of a UN Framework Convention on Sovereign Debt
7. Create Public-funded Credit Rating Agencies, Including a Multilateral Credit Rating Agency, and Regulate CRAs
8. Impose Capital Controls to Manage Capital Flow Volatility and Systemic Risks in EMDEs
9. Identify and Monitor Emerging Risks and Financial Spillovers

Challenges Post FfD4

Fostering greater international cooperation may appear an arduous task in the contemporary era, where geopolitical tensions and the surge of nationalism in many countries are further weakening the spirit of global solidarity. Nonetheless, clinging to an international financial architecture that engenders instability and does not provide long-term financing for inclusive and sustainable development is no longer a viable option. It is bad economics, too!

To some, systemic reforms of IFA may sound utopian, but history offers compelling examples of global solidarity and collective action that have led to the realization of common good. For instance, the actions of global solidarity and leadership demonstrated by the United Nations, including the establishment of the Special Committee against Apartheid and the imposition of an oil embargo, along with coordinated actions by India and many UN Member States, played a significant role in advancing the end of Apartheid in South Africa. In many important ways, the ongoing efforts for a UN Framework Convention on International Tax Cooperation present a glimmer of optimism.

The FfD follow-up process offers key opportunities to deliberate upon the IFA reforms and initiate a political drive towards securing high-level commitments on systemic reforms. While deliberative policy forums like FfD4 should have provided a platform for informed and structured discussions on the reform of the IFA, the real challenge lies in translating these discussions into tangible actions and outcomes. It is crucial that despite the shortcomings of FfD4, IFA reforms transition from mere rhetoric to time-bound concerted actions by all member countries engaged in the follow-up process. The moment for decisive action has arrived.

The international community can and should proceed ahead with agreed elements, without being impeded by the absence of a comprehensive global agreement on the entire IFA reform agenda. Can the FfD4 momentum continue and translate into transformative, ambitious and actionable reforms of the international financial architecture? The world will be keenly watching what unfolds beyond.



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