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It Is Time for Delegations to Unite on Tackling Inequality

Addressing Structural Challenges in Financing for Development Negotiations

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Introduction

As the international community prepares for the upcoming Fourth Financing for Development (FfD4) conference in Sevilla, Spain, the issue of inequality continues to stand out. Since 2020, the global economic landscape has undergone profound shifts, marked by the growth of extreme wealth concentration, heightened geopolitical competition, and a crisis of multilateralism. In this context, inequality has not merely become a social concern but a structural impediment to sustainable development and global economic stability.

Extreme wealth inequality is accelerating at an unprecedented rate. In just the past year, billionaires' wealth grew by USD 1 trillion—three times faster than in previous years. That did not happen by accident; it is the outcome of policy choices that have systematically favored capital accumulation over equitable growth. The colonial legacy has continued as USD 30 million is extracted per hour from the Global South to the Global North, further entrenching economic disparities between countries.

As a multifaceted issue that ranges from material inequalities at the domestic level to the unequal distribution of decision-making power in multilateral organizations, inequality shapes the very foundations of the global economy. Addressing these disparities is therefore not just a matter of fairness but a prerequisite for effective and inclusive solutions in any framework for Financing for Development.

1. The Changing Geopolitical and Economic Order

The original framing behind building the multilateral system we know today was to create a global economic governance architecture that is rules-based, fair, representative, and predictable, one that ensured no one would be left behind. It was grounded in the belief that the whole is greater than the sum of its parts, and that global prosperity and development were collective responsibilities. The designers of this order understood that investing in the prosperity of others was ultimately linked to the sustainability of their own nations.

Today's international economic order seems to be retreating from these foundational truths, giving way to a resurgence of national protectionism, economic fragmentation, and transactional diplomacy, where might often overrules the right. In fact, the current rules-based system, once considered a possible guarantor of fairness and predictability, is now widely perceived as favoring only the most powerful actors—both within and beyond government.

In response, some are retreating from dialogue and cooperative engagement altogether, favoring more transactional, fragmented approaches. But walking away from global negotiation is no real solution. It risks deepening the crisis of legitimacy in international economic governance and further excluding the majority of countries from decisions that shape their futures.

There is a third path, one that neither clings to an unequal status quo nor abandons cooperation. It involves rebuilding trust through inclusive dialogue, reforming the structures of global economic governance, and centering the needs and voices of those historically left out of the system.

The FfD4 process must recognize and address the failures of the current system, while actively working to bridge divides by fostering inclusive dialogue and forging consensus on key reforms and recommendations.

Acknowledging the structural nature of inequality means going beyond surface-level commitments. It means promoting concrete mechanisms that redistribute wealth and power, ensuring fair representation of interests in decision-making bodies, and implementing policies that prioritize shared prosperity over concentrated wealth for a few.

By tackling these challenges head-on, the FfD4 process has the potential to bring delegations together around a common understanding: that sustainable development, social cohesion, and global economic stability depend on an international financial architecture that serves all, not just a privileged few.

2. Why Inequality Must Be Central to this FfD4

The trickle-down economics paradigm has been thoroughly discredited; without proactive redistribution policies, development efforts will continue to be undermined. World Bank data indicates that high levels of inequality slow down poverty reduction. Economic growth alone is insufficient to lift populations out of poverty if wealth remains concentrated among a small elite. For FfD4 to be a meaningful process, it must prioritize measures that ensure economic gains are broadly shared, both within and between countries, prioritising those left struggling to make ends meet.

To effectively do this, the FfD4 discussions should critically review the options for closing the financing gap and addressing the mechanisms for expanding the resource envelope available for financing sustainable development on the one hand. Concurrently, there should be open discussion onallocating these resources to ensure that they are pursuing development and prosperity while ensuring no one is left behind and there are no leakages.

Boosting domestic resource mobilisation and taxation remains one of the primary and most sustainable sources of financing for development. It has the dual role of being one of the most critical systems for addressing inequality and the most prominent transmitter of inequality in the economic system. Countries that have been able to implement progressive tax policies and allocate these resources with prudence have been able to close their inequality gaps significantly.

Despite the evidence strongly suggesting this, we have seen a systemic evolution towards more regressive tax policies not only in developed countries, but even more so in developing countries. In developed countries, the super rich and multinational corporations using sophisticated accounting are able to disguise their income and thus end up paying very little tax. In developing countries, on the other hand, where funding constraints limit the development of robust tax administrations, authorities focus on income and consumption-related taxation. This disproportionately burdens low and middle-income earners, and allows the rich to get away with very little. The impact of this in both instances is a disproportionate burden of taxation borne by low and middle-income earners, and the systematic compromising of service delivery due to funding constraints.

The situation is further compounded by the challenge of effective and fair taxation in the context of globalisation, where multinational corporations have economic activities in multiple jurisdictions, digital enterprises with no real geographical borders, and tax and legal havens that allow for opacity in financial transactions. All these contribute to a misallocation of tax revenue and the proliferation of illicit financial flows. These outflows represent the missed opportunity for financing sustainable development.

Inequality is not limited to individual wealth disparities; it is also reflected in the power imbalances in the governance structures of global financial institutions. The current International Financial Architecture (IFA) continues to concentrate decision-making power in the hands of a few, leaving many others without substantial influence over policies that shape their economic futures. These structures do not reflect the current global economic realities.

Calls for reforming the IFA, particularly institutions like the International Monetary Fund (IMF) and World Bank, have gained traction in the last few years, and we have seen some improvements. However, without binding commitments to governance reform, these institutions will remain structurally biased towards wealthier nations, perpetuating global inequalities.

At the same time, many developing nations remain trapped in cycles of unsustainable debt. The high cost of debt, especially for developing countries, has made the current situation even worse. For example, countries in Africa pay on average rates that are eight times higher than Germany and four times higher than the United States. In 2024, developing countries witnessed a net outflow of over USD 50 billion to developed countries. Today, over 3.3 billion people live in countries paying more for debt servicing than for their investment in education or health.

The World Bank has described the current debt situation as a silent development crisis. If this trend is left unchecked, it will result in lost opportunities for these populations, further leaving them behind in the development spectrum. Addressing debt sustainability is therefore critical for addressing inequality. It includes a mix of actions ranging from those aimed at addressing the cost of financing for developing countries all the way to having a debt restructuring regime that is predictable, timely, and provides the necessary relief when conditions demand this.

Furthermore, illicit financial flows, systemic corruption, and state capture continue to drain public resources. Billions of dollars are hidden in offshore accounts, depriving governments of the capital needed for social investment. Stronger international cooperation is required to repatriate stolen assets and prevent financial leakages that undermine development efforts.

Sevilla presents an opportunity for a coalition of countries to come together around a shared vision for the international economic system, grounded in equity, solidarity, sustainability, and mutual accountability. We are not asking for charity or exceptional treatment; we are calling for a system that works for all, reflects today's global realities, and enables each country to invest in the well-being of its people.

But ambition must go beyond rhetorical commitments. It must also remain grounded in the concrete obligations already laid out in the Addis Ababa Action Agenda, adopted at the Third International Conference on Financing for Development. We cannot afford another cycle of promises without delivery.

Inequality will not be addressed through aspirational statements alone: it requires legally binding frameworks, enforceable international agreements, and tangible policy shifts. From tax justice to debt restructuring, FfD must push for systemic changes that prevent further entrenchment of economic disparities.

If governments fail to act decisively, the world will continue to witness growing inequality and economic instability. The current status of our world cannot afford to waste another decade with little progress made. Austerity-driven policies and wealth concentration in private hands have repeatedly failed to generate equitable growth; the international community must now embrace a paradigm that prioritizes inclusive development.

3. The Way Forward: Policy Imperatives for the Negotiations to Come

To make FfD a success, governments must:

- Institutionalize the equity framing as a core analytical framework for articulating the objectives and aims of this FfD4 process, ensuring that recommendations are understood from the lens of the extent to which they address inequality as a global challenge.
- Advance tax justice and international tax cooperation mechanisms towards boosting domestic resource mobilization aimed at ensuring that countries can fairly capture the proceeds of economic activity within their jurisdiction and that high net-worth individuals are progressively contributing to global sustainable development.
- Undertake comprehensive governance reforms to democratize global financial institutions and enhance the representation of developing countries.
- Advance debt justice initiatives, including mechanisms for addressing the cost of sovereign debt, promoting the principles of responsible sovereign lending and borrowing, and creation of a sovereign debt treatment framework that recognises the need for tailored approaches, as well as approaches aimed at providing effective relief when the situation so demands.
- Create robust accountability mechanisms to ensure that commitments translate into concrete policy actions.

Inequality is not an inevitable outcome of economic development. It is a consequence of policy decisions. The discussions landing in Sevilla will shape the trajectory of global development for years to come. If the fourth International Conference on Financing for Development is to fulfill its mandate, addressing inequality must be a fundamental and non-negotiable priority.

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