Harnessing Innovative Finance for Development Redefined

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Executive Summary

Prepared for the 2025 Group of 78's Annual Conference entitled Redefining development in the new world disorder: Harnessing AI and innovative finance to reach the Sustainable Development Goals, this paper provides background information on the state of and possibilities for development finance. As the world works to adjust in the wake of significant cuts to official development assistance and threats to international collaboration, new opportunities to fund the Sustainable Development Goals are more important than ever. This paper explores promising financing strategies and tools to achieve them, specifically: debt relief, international tax cooperation, national development banks, domestic resource mobilization, and private sector resources, and discusses potential pitfalls and threats and innovative reframing. As development finance adapts, collaboration among stakeholders and inventive, yet realistic, financing initiatives are required to achieve the SDGs.

Résumé

Préparé pour la conférence annuelle 2025 du Groupe des 78, intitulé « Redéfinir le développement dans le nouveau désordre mondial : Exploiter l'IA et la finance innovante pour atteindre les Objectifs de développement durable », ce document fournit des informations générales sur l'état et les possibilités du financement du développement. Alors que le monde s'efforce de s'adapter suite aux réductions importante dans l'aide publique au développement et aux menaces pesant sur la collaboration internationale, de nouvelles opportunités de financement des Objectifs de développement durable (ODD) sont plus importantes que jamais. Ce document explore des stratégies et des outils de financement prometteurs pour les atteindre, notamment : l'allègement de la dette, la coopération fiscale internationale, les banques nationales de développement, la mobilisation des ressources nationales et les ressources du secteur privé. Il aborde également les embûches et les écueils potentiels, ainsi que les recadrages innovants. À mesure que le financement du développement s'adapte, la collaboration entre les parties prenantes et des initiatives de financement innovantes, mais réalistes, sont nécessaires pour atteindre les ODD.

Introduction

In the face of drastic cuts to development finance, shifts and tensions in the world order, and the ever-growing climate crisis, the Sustainable Development Goals (SDGs) have never been more at risk. Current estimates show "SDG financing and investment gaps at between USD 2.5 trillion and USD 4 trillion annually" (International Institute for Sustainable Development, 2024). It is crucial that all stakeholders, including governments, the private sector, and civil society, work together to develop and implement innovative solutions to address this challenge. First, this paper will begin with an overview of the current global context, including cuts to development budgets and the 2025 Sevilla Commitment and Platform for Action. Second, it will highlight five promising paths forward: debt relief, international tax cooperation, national development banks, domestic resource mobilization, and private sector resources. Third, it will examine potential pitfalls and threats; mainly challenges in collaboration, cooperation, and enforcement. Finally, the paper will discuss innovative reframing and future steps.

Global Context

Cuts to Development Budgets

The field of international development is experiencing major changes and uncertainty. In 2024, there was a 9% drop in official development assistance (ODA), and the Organisation for Economic Co-operation and Development (OECD) predicts an additional drop of 9 to 17% in 2025. The reduction in 2024 was mainly due to cuts by the United Kingdom, the United States (US), Germany, and France (OECD, June 2025, p. 1). The United States, which has been the biggest international humanitarian donor, has continued massive slashes to ODA in 2025 and has shut down the US Agency for International Development. The US cuts alone are equal to around $63 billion (for context, total ODA in 2024 was USD $212.1 billion), which will have massive impacts on the ability to finance the SDGs (Leal, 2025; OECD, June 2025, p. 20). The current US administration has shifted its international development practices drastically. When the US withdrew from the Fourth International Conference on Financing for Development (FfD4), the US Representative to the United Nations Economic and Social Council stated that they "no longer reaffirm the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) as a matter of course" (United States Mission to the United Nations, 2025). While other countries remain committed to international cooperation and the SDGs, many states around the world are facing "profound transformation, serious geopolitical tensions, conflicts, increasing macroeconomic challenges and growing systemic risks" which impacts their ability to finance these commitments (UN, June 2025, p. 2).

2025 Sevilla Commitment and Platform for Action

The 2025 Sevilla Commitment was developed during these challenges and represents the international community's ongoing commitment to the SDGs. The Commitment and its corresponding Platform for Action were adopted during the FfD4 held in July 2025. The Commitment centres on achieving the SDGs by increasing initiatives to "catalyze investments at scale and close the SDG financing gap… address debt challenges… [and] support architecture reform at national and global levels" (UN, 2025a). The Platform for Action is made up of 130 initiatives to be implemented by states, nongovernmental organizations, intergovernmental organizations, and private sector actors to achieve these goals. While the initiatives included in the Platform will involve a variety of actors, the lead countries and entities are already determined. Canada is listed as a co-lead on three initiatives: ‘Common Principles on Private Capital Mobilization’; ‘SCALED – Scaling Capital for Sustainable Development (formerly known as Hamburg Sustainability Platform)’; and the ‘Debt Pause Clause Alliance’ (UN, 2025b).

Promising Strategies and Tools

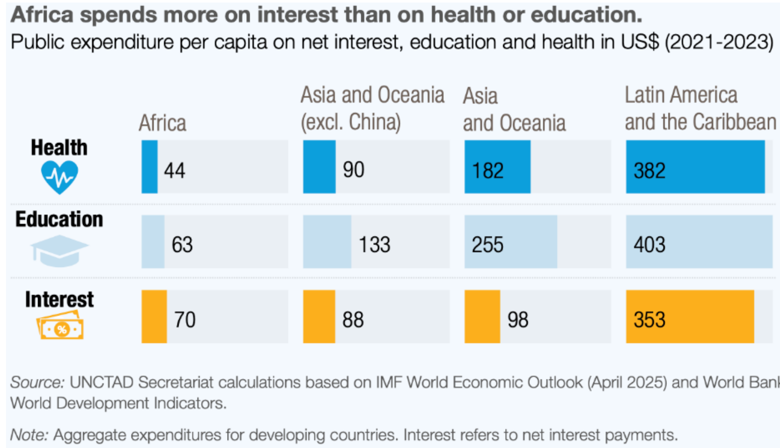
Debt Relief

Debt distress is one of the most significant issues facing low- and middle-income countries (LMICs). This is not the first time LMICs have experienced a debt crisis, but this one is massive. In 2023, developing countries' external debt reached $11.4 trillion (UNCTAD, 2025). The consequences of the debt crisis are vast:

> “debt service, including both domestic and external debt payments, is absorbing an average 38 per cent of budget revenue and 30 per cent of spending across the Global South, rising to 54 per cent of revenue and 40 per cent of spending in Africa” (Culpeper, 2025).

This immense spending on debt repayment leaves LMICs unable to adequately finance the SDGs.

Figure 1:



(Innovation and Research Coordination Unit at UNCTAD, 2025, p. 20)

As governments and international organizations confront this crisis, other stakeholders must also be considered, specifically the private sector. Studies show that in 2023, **“**nearly $200 billion was taken out of developing countries by private creditors in interest and net repayments of principal. Support from international financial institutions and bilateral donor agencies was inadequate to fully offset these negative private capital outflows" (Culpeper, 2025). Addressing this debt crisis will be difficult; the increased participation of private creditors makes restructuring initiatives harder as they have different motivations and obligations than public institutions (Innovation and Research Coordination Unit at UNCTAD, 2025, p. 16).

The Sevilla Commitment recognizes this challenge, addressing the debt crisis is one of the main commitments. There are multiple initiatives in the Sevilla Platform for Action that target this problem. Some states, including Spain and Canada, are working with development banks on the 'Debt Pause Clause Alliance'; the World Bank and Spain are collaborating on a 'Global Hub for Debt Swaps for

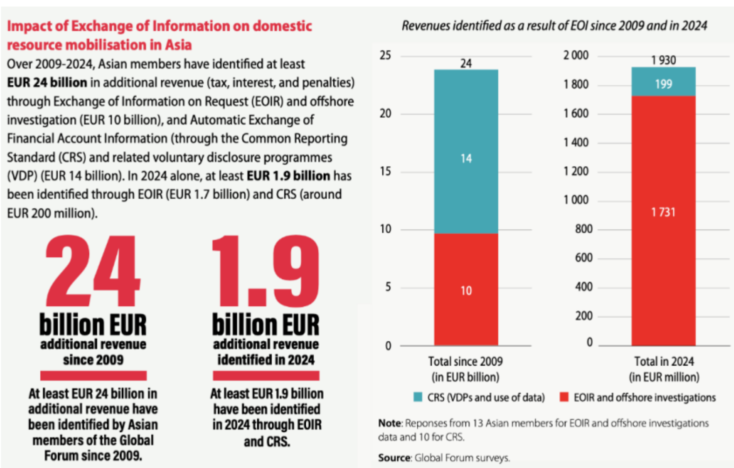
Development'; Italy will implement the 'Ten years initiative Debt-for-development swap program'; and the Pact for Prosperity, People and the Planet (4P) is working on two initiatives focused on debt challenges (UN, 2025b). In addition, the United Nations has developed a strategy for addressing the debt crisis that focuses on "making the system more inclusive and development-oriented… enhancing the availability of liquidity in times of crisis… creating an effective debt workout mechanism… [and] providing more and better concessional finance and technical assistance" (Innovation and Research Coordination Unit at UNCTAD, 2025, p. 25).

It is clear that changes to the global finance system are needed. This need is explored in the 2025 *Jubilee Report: A Blueprint for Tackling the Debt and Development Crises and Creating the Financial Foundations for a Sustainable People-Centered Global Economy*, commissioned by Pope Francis, who was a strong advocate for equality in the international system. The report reveals how Global North countries have developed and are upholding an economic structure that systemically disadvantages LMICs. Not only has this system led to continuous cycles of debt distress for LMICs, the report argues that it is "inadequate" to resolve this cycle without serious reform. The report highlights the need for "shared responsibility" between all stakeholders, and a focus on "shared prosperity" as the world confronts this debt crisis (Pontifical Academy of Social Sciences & Columbia University's Initiative for Policy Dialogue, 2025a, p. 3-11). The report includes a multitude of recommendations for immediate and systemic change under the umbrellas of: "make restructuring processes work… evaluate debt sustainability and creditworthiness accurately…increase good multilateral lending… [and] increase good borrowing and investment" (Pontifical Academy of Social Sciences & Columbia University's Initiative for Policy Dialogue, 2025b, p. 3-4). The lessons and strategies in this report are instrumental and should be considered in conversations and initiatives regarding debt relief.

International Tax Cooperation

International tax cooperation is a crucial part of financing the SDGs. "The most recent data shows that multinational corporations are shifting US$1.42 trillion worth of profit into tax havens a year, causing governments around the world to lose US$348 billion a year in direct tax revenue" (Tax Justice Network, 2024, p. 8). Discussions on international tax cooperation are not new; the League of Nations flagged concerns over a century ago in 1923. But in an ever-globalizing world, the issues requiring international tax cooperation are more complex and urgent than ever. The OECD has pushed for international tax reform since the 1990s. In 2014, the organization launched the Common Reporting Standard, and, in 2015 and 2016, the OECD developed a multilateral instrument to align tax systems to limit opportunities for tax evasion. Recently, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting developed a two-pillar solution. Pillar One would allow destination jurisdictions to receive part of the tax revenue from multinational corporations (MNCs) by granting the former additional taxation rights. Pillar Two outlines a method to impose a "minimum global corporate tax of 15 per cent" on large MNCs (Dagan & Pirlot, 2024, pp. 591-593). It is important to note that the OECD comprises mainly developed countries. In 2022, the Africa Group at the United Nations requested that the United Nations begin leading efforts related to international tax cooperation to ensure LMICs are included in these initiatives (Olika, 2024, p. 1547). There have been successes in international tax cooperation; the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), supported by the OECD, has fostered collaboration and contributed to increased domestic resource mobilization (OECD, May 2025, p. 13).

Figure 2:



(OECD, May 2025, p. 13)

The Sevilla Platform for Action includes several initiatives aimed at increasing international tax cooperation. Spain and Brazil are collaborating on the 'Effective Taxation of High-Net-Worth Individuals. Taxes on the Super-Rich' initiative; the United Nations Development Programme and the OECD are working on 'Tax Inspectors Without Borders 2.0'; Tax Justice Network Africa is continuing its work through the 'Anti-IFF [illicit financial flows] policy'; and the International Institute for Sustainable Development and other partners are launching the 'Coalition for Tax Expenditure Reform' (UN, 2025b). Another interesting initiative outlined in the Platform is the '3 by 35 initiative' led by the World Health Organization (WHO). This initiative seeks to "increase the real prices of any or all of three unhealthy products – tobacco, alcohol, and sugary drinks by at least 50% by 2035 through tax increases" to provide additional funding for the SDGs (WHO, n.d.).

Still, international tax cooperation faces a variety of challenges. A central issue is that tax systems are one of the most important elements of a state's sovereignty. This issue is already impacting progress, as many states have refused to participate or sign onto cooperation efforts. For example, the United States has aggressively refused efforts to implement digital service taxes (Mataba & Rita, 2025). Another issue is enforcement. Even if initiatives are implemented, strong enforcement mechanisms will be needed to ensure that states comply and are held accountable (Olika, 2024, pp. 1551-1552). In addition to the work being done through the Sevilla Commitment, 2025 also saw the start of negotiations for the United Nations Framework Convention on International Tax Cooperation, another avenue to strengthen international tax cooperation (Mataba & Rita, 2025).

National Development Banks

National development banks (NDBs) offer many opportunities to advance development goals and should play a larger role moving forward. One of the barriers to unlocking this potential involves regulations. Finance in Common, which collaborated on a Public Development Bank Reference Book that aligns with the Sevilla Commitment, highlights that NDBs are often limited by regulatory frameworks such as Basel III. These frameworks, created with private, for-profit banks in mind, include rules concerning "capital adequacy and liquidity requirements, prioritize financial resilience but inadvertently disincentivize the type of long-term, high-impact investments that PDBs [public development banks] are uniquely positioned to support" (Finance in Common, 2025, pp. 22-23). Developing new regulations specific to NDBs is important for unlocking the potential of these institutions. In addition, supporting NDBs in taking on higher-risk projects is necessary (Finance in Common, 2025, p. 23).

To increase access to finance, NDBs should prioritize partnerships and collaboration with multilateral development banks (MDBs). These institutions should explore opportunities to co-finance projects and offer guarantees to NDBs (Mariotti et al., 2025, pp. 37-38, 42). One of the initiatives outlined in the Sevilla Platform is a Public Development Banks Market Access & Guarantee Facility. This initiative will be led by the International Development Finance Club, the Finance in Common Secretariat, and the Multilateral Investment Guarantee Agency (UN, 2025b). MDBs are also well positioned to provide technical assistance to NDBs; "they can help existing NDBs build strong governance structures, identify capacity gaps and address them through awareness raising, knowledge- and information-sharing and training sessions, incentivise alignment and implementation of policies, regulations and frameworks" (Mariotti et al., 2025, p. 10). Marois, McDonald, and Spronk (2025) highlight the potential of public banks in financing water and sanitation services and recommend increased public-public partnerships in this area (p. 422). One example of collaboration between a multilateral and national development bank is the European Investment Bank and the Development Bank of Southern Africa (DBSA).

Box 1: The European Investment Bank (EIB) and the Development Bank of Southern Africa (DBSA)

In 2020, the European Investment Bank "provided EUR 22 million credit line (Climate Action Facility) [to DBSA] for on-lending to private sector climate action projects" (Mariotti et al., 2025, p. 26). The DBSA will disperse funds through the Bank's Climate Finance Facility, which supports local-currency blended-finance projects. The European Investment Bank and the DBSA have worked together since 1995, and the European Investment Bank "issues bonds in South African Rand (ZAR) as part of its funding strategy, meaning that DBSA can draw some of its EIB borrowing in ZAR as well as EUR," which is extremely beneficial for the DBSA (Mariotti et al., 2025, p. 26).

Domestic Resource Mobilization

Another avenue for financing the SDGs is through domestic resource mobilization (DRM). The Sevilla Platform for Action includes several initiatives in this area: 'the Coalition for Tax Expenditure Reform' led by multiple organizations including the International Institute for Sustainable Development, ODI Global, and the German Institute of Development and Sustainability seeks to "help design, implement, and monitor tax expenditures more effectively and ensure they align with countries' development goals, protect tax revenues, and promote sustainable growth" (ODI Global, n.d.). In addition, 'Scaling up domestic resources for sustainable development: the Addis Tax Initiative's Seville Declaration on Domestic Revenue Mobilisation' led by The Gambia, the UK, Madagascar, and Germany was announced (UN, 2025b). DRM is not a new focus in the development field; the OECD and United Nations Development Programme have implemented the Tax Inspectors Without Borders (different than

Tax Inspectors Without Borders 2.0, which focuses on international tax cooperation) since 2015 to support LMICs' tax systems through technical assistance (OECD/UNDP, 2025).

An important step in DRM is increasing the digitization of tax systems. Digitizing tax systems can reduce the administrative burden and fees on governments, increase tax compliance, and improve efficiency (Reyes-Tagle et al., 2023, pp. 11-12). Many LMICs are making strides in this area. In Brazil, taxpayers can access a variety of tax-related services online and through mobile applications, including "individual taxpayer registration, payments, filing personal income tax (PIT) returns, and monitoring tax and customs regulations" (Reyes-Tagle et al., 2023, p. 32). In addition to developing stronger tax systems, governments must be able to "recruit experienced professionals, pay good salaries, and provide appropriate training" to ensure the system can be implemented sustainably (Reyes-Tagle et al., 2023, p. 7).

Box 2: Strengthening Public Financial Management Controls in Guinea

From 2018 through 2022, Expertise France, with funding from the European Union, collaborated with Guinea's officials to strengthen their tax systems. The project yielded positive results, including: "A 71% increase in revenues collected by the Medium-sized Businesses Department between 2018 and 2022… [and] growth in the number of fiscally active companies: 3,300 in September 2022, compared with 1,600 in 2018" (Ferdi, n.d., pp. 14-15).

One barrier to domestic resource mobilization in LMICs is the level of informal work, which shrinks the tax base. Governments will need to increase the number of workers in the formal economy, which is a complex process (Brys et al., 2025, p. 13). Tax morale, defined as "the intrinsic motivation to pay taxes" (Brys et al., 2025, p. 14), is generally low in LMICs. If citizens do not feel that the taxes they pay will improve their lives proportionally or if there is a lack of trust in government capacity, they will be less inclined to pay taxes. The OECD recommends increased education for citizens regarding the need for taxes, although this will need to be supported with visible benefits to citizens. Tax transparency will also aid in increasing tax morale (Brys et al., 2025, p. 14).

Another issue that is flagged around DRM is the risk that increased taxation and spending can negatively impact those living in poverty. Increased taxes on those living at or below the poverty line could undermine their ability to purchase necessities such as food, water, and housing. Studies have shown that in many LMIC countries "the number of poor people who are made poorer through the taxation and spending activities of governments exceeds the number who actually benefit from those activities" (Lustig, 2018, pp. 127-128, 132). While increased DRM is necessary to achieve the SDGs, it is vital that initiatives are conscious of unintended consequences. In addition, country-specific, equitable approaches are needed to ensure that vulnerable populations are protected.

Private Sector Resources

To address funding needs, private sector engagement and increased mobilization of private sector finance are necessary. One promising strategy to address development financing needs is blended finance. The OECD defines blended finance as "the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries, with ‘additional finance’ referring primarily to commercial finance.” (OECD, 2018, p. 4). Even without the recent cuts to ODA, it is clear that public finance alone is not sufficient to achieve the SDGs. Catalyzing the private sector’s involvement in funding initiatives that can advance these goals is necessary. Blended finance is a flexible term; it can reference mobilizing funding for a specific project or for a fund that will support multiple organizations/ projects. For public actors, blended finance can be structured as a guarantee, concessional capital, grant, or any other form that best supports the intended outcome (Convergence, n.d.).

Box 3: Emerging Markets Impact Investment Fund

Emerging Markets Impact Investment Fund (EMIIF) offers funding to financial institutions that then fund small and medium-sized enterprises (SMEs) across Asia and the Pacific. The fund is managed by Sarona Asset Management and financed by the Australian Government’s Department of Foreign Affairs and Trade (DFAT). The fund focuses on blended finance solutions; “1 dollar of EMIIF investment mobilizes 5 dollars from the private sector” (Sarona Asset Management, n.d.). EMIIF incorporates a gender lens in its investments, and its target sectors are relevant to the SDGs, including climate, education, and health, among others. EMIIF also provides technical assistance to the financial institutions and SMEs it supports through the Mennonite Economic Development Associates (MEDA) and Volta (MEDA, n.d.).

The Sevilla Platform includes multiple initiatives that focus on blended finance. ‘SCALED - Scaling Capital for Sustainable Development’ is an initiative between private and public actors that seeks to address the roadblocks of blended finance, including long project development timelines and making projects replicable (UN, 2025a). One opportunity for unlocking private sector finance is through pension funds. Countries in both the Global North and South are working on this initiative; in 2024, the Investor Leadership Network and the Bellagio Private Capital Mobilization Consortium collaborated to mobilize $400 million for the Emerging Markets Transition Debt initiative from Canadian and UK pension funds, along with other investors (The Rockefeller Foundation, 2024).

One of the most encouraging uses of blended finance is to support micro, small and medium-sized enterprises (MSMEs) in emerging economies. Supporting MSMEs is vital, "formal MSMEs contribute up to 45% of total employment and up to 33% of gross domestic product (GDP) in emerging market economies" (Dasaraju & Tambunan, 2023, p. 2). By de-risking investments, blended finance can unlock financing opportunities for these companies. In addition to improved livelihoods, increased employment, and strong returns, using blended finance to support MSMEs can foster innovation. There is an abundance of potential across MSMEs in emerging economies to develop technology and solutions to global challenges, but their limited access to finance is a major barrier. Investors are working to unlock this potential; Sahara Impact Ventures invests in MSMEs in Ghana and Nigeria with a gender lens. Their investees have generated positive climate, agriculture, and gender results in addition to strong financial growth (2X Global, n.d.). However, increased finance alone is not enough to create sustainable change. Blended finance projects, especially ones that support MSMEs, should include technical assistance mechanisms. Business development support and sector-specific knowledge sharing efforts are needed to aid enterprise growth and financial viability

(Ivory, 2023). One example of innovative blended finance is the use of solar powered cold storage facilities.

Box 4: Solar-Powered Cold Storage Facilities

An emerging innovation to support farmers in LMICs is off-grid solar-powered cold storage (SPCS) facilities. SPCS units address post-harvest loss, a common challenge for farmers in LMICs, by allowing farmers to store their harvests (usually on a pay-per-use basis) until the produce can be sold/used. SPCS initiatives decrease food waste, increase farmers' incomes, and are a green innovation that helps address climate change. SPCS initiatives are also scalable and replicable - one SPCS unit can benefit an entire community of farmers. Many projects are taking this a step further with mobile units that can move based on harvest cycles. Furthermore, many projects include market connections and transportation opportunities to further support smallholder farmers. There are multiple blended finance projects currently working to provide SPCS units, including one led by the United Nations Development Programme (UNDP) (UNCDF, n.d.; CAAS, n.d.; DanChurchAid, n.d.).

Guarantees are another tool that can be used to mobilize private sector finance. Guarantees are "a legally binding agreement under which the guarantor agrees to pay part or all of an amount due on a loan, equity, or other instrument in the event of non-payment by the obligor" (Garbacz, Vilalta, & Moller, 2021, p. 13). For development initiatives, guarantees can be used by governments or organizations to de-risk private sector investment in a project. A multitude of Global North governments incorporate guarantees in their development work. The Swedish International Development Cooperation Agency uses guarantees to support MSMEs in its programming sectors and countries (SIDA, 2024). In addition, Western governments, including Canada, jointly fund the Private Infrastructure Development Group's guarantee arm – GuarantCo. GuarantCo issues flexible guarantees in local currencies for development projects across Asia and Africa. Over the past 20 years, the company has "guaranteed bonds and loans enabling USD 6.8 billion of total investments including USD 5.7 billion of private sector investment giving 44.7 million people improved access to infrastructure and creating around 243,000 jobs" (GuarantCo, 2024, p. 3). With tighter aid budgets, guarantees have the advantage of only needing to be paid out if non-payment by borrowing firms occurs.

Another promising tool for private sector resource mobilization is performance-based incentives (PBIs). PBIs involve tying an incentive, such as interest rate reductions, bonuses to fund managers, or sharing carried interest, to a desired project impact, such as gender performance (Jackson et.al, 2025). PBIs have been successful; with Canadian support, the Inter-American Development Bank provided interest rate reductions for companies building large-scale solar farms in Uruguay. In return, the firms hired more women for good jobs in the construction phase of the project. For example, while women in Uruguay only hold "about 3.5% of all construction jobs," the Casablanca Giacote project had "an average women labour participation rate of 17%" (Convergence, 2022, p. 7 & 14). As private sector resource mobilization increases, PBIs should be explored and incorporated into initiatives to maximize impact.

Concerns about blended finance are important to consider. Increasing the private sector's involvement in development initiatives opens the door further for priorities and outcomes to shift toward private profit rather than achieving the SDGs. Murray & Spronk (2019) warn that "the push for blended finance is a way for private investors in a range of industries to access public financing, paid through taxpayer dollars" (p. 274). Development experts must heed this warning and proceed in this area with caution. Governments in the Global North cannot use blended finance as a way to minimize their development funding and obligations. The effectiveness of blended finance is also uneven; studies show that many blended finance initiatives do not produce results directly related to the SDGs. Moreover, as LMICs expand and strengthen their infrastructure, public ownership of essential services is important to ensure quality, reach, and control. Still, economic growth in LMICs is important in order to achieve the SDGs, and blended finance can play a role in this regard, especially through guarantees and supporting MSMEs. Blended finance is not a magic solution to the financing challenges facing development efforts; not all initiatives to achieve the SDGs will be, or should be, profitable, which is a central motivator for private sector engagement (Murray & Spronk, 2019, pp. 275-278). As private sector engagement increases, development experts and practitioners must remember the fundamental difference in motivation between the public and private sectors - mainly the private sector's ultimate goal of profit – and work to ensure that the SDGs remain at the forefront of this work.

Potential pitfalls and threats

In the wake of reduced ODA, the need for collaboration among actor types (public, private, NGOs, etc.) is more important than ever. One barrier to this collaboration is the difference in work pace between actor types and organizations. The Sevilla Platform for Action highlights blended finance, but the private sector moves much more quickly than the public sector. The difference in pace and bureaucratic systems can disincentivize collaboration (Crespin, 2024). While due diligence is necessary, organizations and actors across the board must be willing to meet in the middle to encourage collaboration.

Another threat is the lack of commitment and cooperation from many states regarding international tax cooperation and debt relief, as well as pushback from the private sector. The International Commission of Experts on Financing for Development flags that "many Free Trade Agreements, Economic Partnership Agreements and Bilateral Investment Treaties constrain progressive tax reform, because companies can sue governments under Investor-State Dispute Settlement (ISDS) clauses" (International Commission of Experts on Financing for Development, 2025, p. 8). Another challenge in international tax cooperation is that even if political leaders are in favour of initiatives at the international level, ratification and enforcement involve domestic political actors who may prioritize their domestic interests over the SDGs. This can be seen through former President Biden's administration's willingness to participate in international tax cooperation initiatives, but the US Congress halting those attempts (Olika, 2024, p. 1552).

Innovative reframing

Discussions surrounding international tax cooperation and the push for DRM link to another issue that hampers the financing and achievement of the SDGs: the lack of effective global supply chain monitoring and enforcement mechanisms. While cuts to official development assistance put additional burdens on LMICs to raise development finance, countries in the Global

North could, and should, play a larger role in increasing monitoring requirements on MNCs and other private sector actors. Increased funding alone will not be enough to achieve the SDGs if systemic practices and exploitation continue. The European Union is making progress in this area; in 2024, it passed the Corporate Sustainability Due Diligence Directive. This directive will force companies to conduct "due diligence procedures that identify, avoid, reduce, and disclose both potential and actual detrimental effects on the environment and human rights across their value chains and operations" (EcoActive, 2024). These initiatives are essential to achieving the SDGs. And other states, especially those in the Global North, which have the capacity and administrative capability, must take steps to implement similar regulations. States must collaborate to change the practices that hinder progress toward the SDGs, thereby increasing the effectiveness of development initiatives and financial resources.

Future directions

To achieve the SDGs in the changing world order, development efforts must push further than ever before. The International Commission of Experts on Financing for Development emphasize that;

> “Truly transformational finance requires bold and effective development policies, policy sovereignty and a coherent planning framework focused on long-term goals and impact and based on robust social contracts that promote robust citizenship. It should involve all stakeholders, including public and private actors as well as civil society, to view and evaluate projects and programmes in a holistic manner as stepping stones to long-term goals. It requires shaping markets to address systemic barriers as well as existing inequalities and align public and private interventions with the enabling conditions for sustainability” (International Commission of Experts on Financing for Development, 2025, p. 6)

Conclusion

As the world faces unprecedented challenges, the Sevilla Commitment reaffirms the importance of international cooperation and highlights opportunities for innovative finance. Debt relief, international tax cooperation, national development banks, domestic resource mobilization, and private sector resources are avenues that development stakeholders must explore to meet growing financing needs. Still, these opportunities are not without risk; debt relief is difficult to implement; lack of enforcement and interest in collaboration on international tax cooperation can hinder development efforts; capacity limitations can impact the success of national development banks and DRM; and increased private sector engagement in development can shift priorities away from the SDGs and towards profit. Harnessing the level of finance needed to achieve the SDGs will require systemic change and equal responsibility among states on the innovative roles they must play. Collaboration is key to addressing the financing gaps needed for development, and actors across the board must step up to this challenge.

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