CONCEPT NOTE

UNLOCKING THE VIRTUOUS CIRCLE: FROM FINANCING FOR DEVELOPMENT TO FINANCING FROM DEVELOPMENT

Side event co-sponsored by UNCTAD and the Nizami Ganjavi International Center (NGIC) at the 4th International Conference on Financing for Development (FfD4)

Date & Time: 2 July 2025 | 10:30 - 12:00
Location: Seville, Spain
Target Audience: Senior government officials, heads of international organizations, policymakers, academics, NGOs, and development finance experts

Keynote Speech: Ms. Rebeca Grynspan, Secretary-General, UNCTAD
Special address: Dr. Adhanom Ghebreyesus, Director General of the World Health Organization: *"Health as an investment, not a cost: the case for equitable and sustainable financing for Universal Health Coverage"*

Fireside chat 1: "The case for fiscal space and growth as pre-conditions to mobilize development finance in a sustained manner"

1. Mr. Trevor Manuel, Co-Chair of the United Nations Secretary-General Expert Group on Debt
2. Ms. Maria Fernanda Espinosa, former President of the UNGA, 73rd session
3. Mr. Yves Leterme, former Prime Minister of Belgium

Moderator: Ms. Penelope Hawkins, Acting Head, Debt and Development Finance Branch, UNCTAD

Fireside chat 2: "Harnessing the climate transition for inclusive growth and development, from Baku to Belem, through Seville"

1. Mr. Mukhtar Babayev, President of COP29
2. Mr. Manfred Schepers, Chief Executive Officer, ILX Management
3. Mr. Jan Fischer, former Prime Minister of Czechia
4. Mr. Igor Luksic, former Prime Minister of Montenegro

Moderator: Ms. Penelope Hawkins, Acting Head, Debt and Development Finance Branch, UNCTAD

At the Fourth International Conference on Financing for Development in Seville, the case for an actionable and ambitious path for development finance is stronger than ever. In an increasingly constrained and uncertain environment, the commitment to collective action through multilateralism remains a necessary choice in a multipolar world.

At the same time, developing countries are faced with daunting prospects of pursuing development objectives and climate commitments in parallel, all while dealing with the deepening inequalities generated by the climate emergency. However, the climate transition also presents an opportunity to advance national development priorities and actions through the synergistic utilization of climate finance, investment, and trade in accordance with the UNFCCC and the Paris Agreement.

International trade as an engine for development is one of the action areas of the financing for development agenda. Conversely, under the UNFCCC, the discussion tends to focus on offsetting the negative environmental impacts of trade, rather than harnessing the positive linkages between trade and the broader climate and development agendas. In addition, there is a need to ensure that climate-related measures do not have unintended negative spillovers on developing countries, for instance by reducing market access or increasing trade costs.

Furthermore, health systems can be engines of inclusive economic growth, shedding dependency on volatile external aid or inequitable and impoverishing private household spending. The World Health Assembly adopted in May a landmark resolution on strengthening health financing globally, calling for countries to take ownership of financing their healthcare systems through primarily domestic investment.

This synergetic approach is advanced by the Baku Initiative for Climate Finance and Investment for Trade (BICFIT) and related initiative such as the Glasgow Financial Alliance for Net Zero (GFANZ), the Coalition of Finance Ministers for Climate Action, the Coalition of Trade Ministers on Climate, and others.

This side event offers a space to examine how external and domestic efforts must be seen as two parts to a whole to ensure growth and sustainable development, while addressing unsustainable debt, and by harnessing the pursuit of climate and health objectives to maximize investment and trade opportunities in support of growth and development.

Unsustainable debt stifles countries' ability to invest in their own development. In 2023 alone, developing countries spent an unprecedented $1.4 trillion on debt service—nearly 4 percent of their gross national income. Over half of the 68 countries eligible for the IMF's Poverty Reduction and Growth Trust are experiencing debt distress, more than double the number just a decade ago. Africa spends on average as a proportion of GDP twice as much on debt servicing as it does on health (14% vs 7%). When countries prioritize servicing interest payments over social and economic development, growth cannot be sparked, domestic resources cannot be mobilized, and the conditions to attract foreign investment cannot be effectively met. Addressing the debt burden of developing countries through identifying practical actions that will lower the cost and extend the term of new financing and reduce the level of existing debt stocks and their associated servicing costs will allow the fiscal space for developing countries to invest in development.

The first part of the session centers on the idea that external and domestic financing are not independent variables but are deeply interlinked and have mutually reinforcing relationships. Developing countries require external financing to make urgent investments in productive capacities, to boost growth and promote structural transformation and inclusive development.

In turn, domestic resources and higher export earnings, as well as an expanding tax base can be tapped to finance development in a diversified and transformed economy. When this cycle functions, it becomes self-reinforcing. Investment and trade lead to growth, growth generates resources, and resources attract further investment through expanded trade and FDI.

Moreover, investing in development needs to be accompanied by policies and measures aimed at reigniting growth. Strategic investments and innovative financing mechanisms need to be leveraged within today's complex global political environment. Revitalizing the development engine requires not only more financing, but better, lower cost financing—aligned with long-term national strategies.

As traditional drivers of growth come under strain, there is a pressing need for a renewed commitment to multilateralism for trade, foreign direct investment, and technology transfer. In 2024 global trade grew faster than GDP by a full percentage point, with developing countries outpacing developed economies and South-South trade expanding 5% annually. Yet, uncertainties surrounding the multilateral trading system threaten the stability and predictability needed to ensure continued investment and trade in a dynamic global economy.

The second part of the session focuses on the opportunity offered by the climate transition. As climate finance generates financial flows to developing countries, there is a need to ensure national ownership and alignment with countries' Nationally Determined Contributions (NDCs), Nationally Adapted Plans (NAPs), and other national strategies to ensure better synergies between the development and climate agendas.

To do so, it is key to improving the accessibility and effectiveness of climate finance for developing countries, particularly through mechanisms that increase private sector engagement, such as blended finance, and aligning climate action with sustainable development goals and furthering global decarbonization.

Climate Foreign Direct Investment (FDI) is also key to bridging the investment gap to achieve the SDGs. Energy remains the largest sectoral component of the SDG investment gap, estimated at close to half of the 4.5 trillion annually. Developing countries must therefore be supported in identifying the intersections of climate action needs with market opportunities, aligning investment and climate goals, and promoting innovative financial instruments to de-risk climate investments.

Overall, a focus on green jobs and economic diversification can foster climate-resilient economic growth that is development friendly. In turn, the prospects of developing countries to mobilize adequate levels of development finance can improve through the synergistic pursuit of climate and development objectives.

Guiding questions:
Fireside chat 1:

- How can the international community work to reinforce the virtuous circle of fiscal space, investment, growth, and domestic resource mobilization?
- Building on the outcome of FFD4, what measures and mechanisms are needed to advance in the provision of a durable solution to the challenge of debt sustainability in developing countries?
- How can multilateralism promote the conditions for international trade, investment and technology to be drivers of growth and development?
- How can developing countries leverage economic cooperation and integration among developing countries and South-South trade to promote development?

Fireside chat 2:

- What actions are needed to support the mobilization of climate finance that contributes to development and growth in a synergistic manner?
- How can developing countries be supported in attracting climate FDI that also works for inclusive growth and transformation?
- What are the most accessible opportunities for developing countries to foster climate-resilient growth with a focus on green jobs and economic diversification?