



Statement on Reform of the Global Financial Architecture

Program on The Fraternal Economy of Integral and Sustainable Development



With the world falling far behind the objectives of the Sustainable Development Goals and the Paris Agreement on climate change, world leaders and the public are calling for fundamental reforms of the global financial architecture. The world's challenge today is plainly not the lack of financial resources to tackle poverty and climate change. Rather the challenge today is ethical: to direct the world's vast financial and technical resources away from war and waste and towards the common good.

The Church has taken up the challenge of global financial reform at key moments in recent history. In 1999, [Saint Pope John-Paul II appealed to the world](#) for debt relief and “a sustained and comprehensive framework of investment in the capacities of human persons” in advance of the Jubilee Year of 2000. In 2011, the Pontifical Council for Justice and Peace looked to the reform of the global financial and monetary systems in the wake of the 2008 financial crisis. In 2015, Pope Francis in *Laudato Si'* noted that finance “overwhelms the real economy,” in the process wrecking the environment and undermining the common good.

These ethical interventions have manifested in powerful practical outcomes. In 2000, heeding the words of Pope John Paul II, the world adopted a program of debt relief known as the Highly Indebted Poor Country (HIPC) Initiative. In 2015, with the resonance of the Church's calls heard by governments around the world, the UN member states unanimously adopted the Sustainable Development Goals and the Paris Climate Agreement.

With the approach of the Jubilee Year 2025, to be preceded by the UN SDG Summit in September

2023 and the UN Summit of the Future in September 2024, it is urgent once again to direct attention to the ethics of the common good to underpin the global financial reform.

The following points are well established. Achieving the SDGs and the Paris Agreement will require a major increase of public investments in all countries in three critical areas: integral human development (notably healthcare, education, and nutrition); zero-carbon energy and industrial systems; and sustainable infrastructure (notably safe water and sanitation, public transport systems, social housing, and social protection). These public investments, in turn, will support the rapid development of the private sector and the care economy, with the conditions for decent work.

To support the needed increase in public investments, the global financial architecture must ensure that much more of the world's ample annual saving, roughly \$30 trillion per year, are directed towards the needs of the poorer half of the world, that is, the 4 billion people living in the low-income and lower-middle-income countries (LMICs). Currently, 79 of the world's 82 LMICs are deemed to lack "creditworthiness." As a result, the governments of these countries lack access to high-quality global finance, meaning the ability to borrow at long maturities at low interest rates (as do the richer nations). Because of the lack of financing, the scale of public investments is woefully insufficient to achieve the globally agreed goals.

There are four major ways to bolster the public investments of the LMICs, including:

- More financing by the Multilateral Development Banks (MDBs)
- New global taxes on shipping, air travel, financial transactions, or carbon emissions, with the proceeds directed to the poorer countries
- New and more accurate standards on creditworthiness to boost the credit ratings of the LMICs and their access to high-quality market-based financing
- Debt relief of heavily indebted countries so that current debt servicing can be redirected towards SDG investments

All of these approaches should be deployed in an innovative, creative, and urgent manner. UN Secretary-General Antonio Guterres has called for a package of such measures to constitute an SDG Stimulus, aimed at raising public investments in the poorer countries by several hundred billion dollars per year.

We are aware that many of these vital steps are currently blocked by the lack of discernment and political consensus in key countries. The global financial architecture has fallen behind the times. The role of the World Bank and other institutions relative to the size of the world economy and urgent global needs has diminished markedly and dangerously. It is in this sense, the lack of awareness and action despite ample means, that we can say that the world crisis today is at its root a crisis of ethics more than a crisis of finance per se.

In this regard, we see three important, indeed urgent ways forward.

The first is to create opportunities for those nations ready to move forward to do so without being impeded by other nations that are lagging behind in their political response. Thus, we admire the initiative of the IMF to establish the new Resilience and Sustainability Trust (RST) based on voluntary contributions by leading nations, rather than waiting for a complete consensus among all nations. We encourage the World Bank and other MDBs to create comparable voluntary initiatives, enabling leading nations to move forward with urgency, while other lagging nations eventually catch up through emulation of the leaders.

The second is to engage world leaders in an active process of discernment and spiritual conversation, to help the leaders in both the public and private spheres to understand the common threats facing humanity and the common good of confronting and surmounting those threats. The Church has a masterful tradition and set of tools and methods for discernment and synodality. Today we need such synodality in our global public lives to end wars, extreme poverty, and human-induced environmental destruction.

The third is worldwide public education to help the world understand the possibilities for breakthroughs in ending poverty and fighting human-induced environmental ills – if we shift the world economy and global financial architecture to the public good. The upcoming Jubilee Year 2025 is a powerful opportunity for that message. The Church's Social Teachings have often enabled breakthroughs in global action, and we believe that will do so now.